



**American Council on Science
and Health, Inc.**

Financial Statements

June 30, 2020 and 2019



INDEPENDENT AUDITORS' REPORT

The Board of Trustees American Council on Science and Health, Inc.

We have audited the accompanying financial statements of American Council on Science and Health, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Council on Science and Health, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PKF O'Connor Davies, LLP

Stamford, Connecticut
November 19, 2020

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American Council on Science and Health, Inc.

Statements of Financial Position

	June 30,	
	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 523,281	\$ 73,689
Investments	270,005	298,842
Contributions receivable	-	100,000
Prepaid expenses and other current assets	13,949	11,558
Security deposit	<u>4,485</u>	<u>4,485</u>
	<u>\$ 811,720</u>	<u>\$ 488,574</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 71,135	\$ 75,351
Refundable advance	<u>30,271</u>	<u>-</u>
Total Liabilities	<u>101,406</u>	<u>75,351</u>
Net Assets		
Without donor restrictions	603,553	303,762
With donor restrictions	<u>106,761</u>	<u>109,461</u>
Total Net Assets	<u>710,314</u>	<u>413,223</u>
	<u>\$ 811,720</u>	<u>\$ 488,574</u>

See Notes to Financial Statements

American Council on Science and Health, Inc.

Statements of Activities

	Year Ended June 30, 2020			Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE						
Contributions	\$ 846,077	\$ -	\$ 846,077	\$ 709,406	\$ 17,600	\$ 727,006
Bequests	314,685	-	314,685	-	-	-
Government grant - Paycheck Protection Program	101,684	-	101,684	-	-	-
Publications revenue	361	-	361	834	-	834
Special event support, net of direct donor benefit expenses of \$0 and \$57,312	-	-	-	(13,612)	-	(13,612)
Investment return	14,217	-	14,217	46,333	-	46,333
Net assets released from restrictions	<u>2,700</u>	<u>(2,700)</u>	<u>-</u>	<u>69,010</u>	<u>(69,010)</u>	<u>-</u>
Total Public Support and Revenue	<u>1,279,724</u>	<u>(2,700)</u>	<u>1,277,024</u>	<u>811,971</u>	<u>(51,410)</u>	<u>760,561</u>
EXPENSES						
Scientific and educational	682,299	-	682,299	1,128,110	-	1,128,110
Management and general	163,739	-	163,739	175,066	-	175,066
Fundraising	<u>133,895</u>	<u>-</u>	<u>133,895</u>	<u>262,637</u>	<u>-</u>	<u>262,637</u>
Total Expenses	<u>979,933</u>	<u>-</u>	<u>979,933</u>	<u>1,565,813</u>	<u>-</u>	<u>1,565,813</u>
Income (Loss) from Operations	299,791	(2,700)	297,091	(753,842)	(51,410)	(805,252)
OTHER CHANGES IN NET ASSETS						
Loss on disposal of property and equipment	-	-	-	(16,720)	-	(16,720)
Gain on cancellation of leases	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,000</u>	<u>-</u>	<u>131,000</u>
Change in Net Assets	299,791	(2,700)	297,091	(639,562)	(51,410)	(690,972)
NET ASSETS						
Beginning of year	<u>303,762</u>	<u>109,461</u>	<u>413,223</u>	<u>943,324</u>	<u>160,871</u>	<u>1,104,195</u>
End of year	<u>\$ 603,553</u>	<u>\$ 106,761</u>	<u>\$ 710,314</u>	<u>\$ 303,762</u>	<u>\$ 109,461</u>	<u>\$ 413,223</u>

See Notes to Financial Statements

American Council on Science and Health, Inc.

Statements of Functional Expenses

	Year Ended June 30, 2020				Year Ended June 30, 2019				
	Scientific and Educational	Management and General	Fundraising	Total Expenses	Scientific and Educational	Management and General	Fundraising	Direct Donor Benefits	Total Expenses
PERSONNEL									
Salaries and wages	\$ 459,298	\$ 88,416	\$ 33,970	\$ 581,684	\$ 531,049	\$ 68,307	\$ 97,651	\$ -	\$ 697,007
Young scientists in America - wages	2,700	-	-	2,700	7,029	-	-	-	7,029
Payroll taxes	35,615	6,856	2,634	45,105	38,967	5,012	7,165	-	51,144
Employee benefits	59,612	11,476	4,409	75,497	73,763	9,488	13,564	-	96,815
Total Personnel	<u>557,225</u>	<u>106,748</u>	<u>41,013</u>	<u>704,986</u>	<u>650,808</u>	<u>82,807</u>	<u>118,380</u>	<u>-</u>	<u>851,995</u>
OTHER THAN PERSONNEL COSTS									
Direct mail expenses	-	-	57,428	57,428	-	-	42,132	-	42,132
Event production	-	-	-	-	-	-	-	40,431	40,431
Insurance	8,797	2,933	2,933	14,663	7,976	2,659	2,659	-	13,294
Merchant processing fees	1,610	306	122	2,038	1,597	508	315	-	2,420
Miscellaneous	-	837	-	837	580	724	114	-	1,418
Moving expenses	-	-	-	-	-	3,655	-	-	3,655
Network and computer expenses	6,807	2,166	1,341	10,314	6,365	2,025	1,254	-	9,644
Office equipment rental	326	63	24	413	3,151	405	580	-	4,136
Postage, storage, and freight	1,589	187	94	1,870	1,845	217	109	-	2,171
Printing and reproduction costs	47	6	3	56	375	44	22	5,316	5,757
Professional fees	8,569	38,040	22,525	69,134	23,327	73,576	84,195	11,565	192,663
Rent and utilities	14,446	12,165	3,802	30,413	215,265	6,798	4,532	-	226,595
Research	63,151	-	-	63,151	164,263	-	-	-	164,263
State registration fees	-	-	4,405	4,405	-	-	5,117	-	5,117
Stationery and office supplies	950	183	70	1,203	5,832	750	1,073	-	7,655
Telephone	547	105	40	692	4,987	642	917	-	6,546
Travel, meetings, and conventions	536	-	95	631	10,455	-	872	-	11,327
Website sidebar placement and other internet costs	17,699	-	-	17,699	29,291	-	-	-	29,291
Total Other Than Personnel Costs	<u>125,074</u>	<u>56,991</u>	<u>92,882</u>	<u>274,947</u>	<u>475,309</u>	<u>92,003</u>	<u>143,891</u>	<u>57,312</u>	<u>768,515</u>
Depreciation	-	-	-	-	1,993	256	366	-	2,615
	682,299	163,739	133,895	979,933	1,128,110	175,066	262,637	57,312	1,623,125
Direct donor benefits	-	-	-	-	-	-	-	(57,312)	(57,312)
Total Expenses	<u>\$ 682,299</u>	<u>\$ 163,739</u>	<u>\$ 133,895</u>	<u>\$ 979,933</u>	<u>\$ 1,128,110</u>	<u>\$ 175,066</u>	<u>\$ 262,637</u>	<u>\$ -</u>	<u>\$ 1,565,813</u>

See Notes to Financial Statements

American Council on Science and Health, Inc.

Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 297,091	\$ (690,972)
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized gains on investments	(7,707)	(36,636)
Gain on cancellation of leases	-	(131,000)
Lease buyout	-	(33,900)
Loss on disposal of property and equipment	-	16,720
Depreciation	-	2,615
Changes in operating assets and liabilities		
Contributions receivable	100,000	20,801
Prepaid expenses and other current assets	(2,391)	22,020
Security deposit	-	78,117
Accounts payable and accrued expenses	(4,216)	(17,163)
Refundable advance	30,271	-
Deferred rent liability	-	14,650
Net Cash from Operating Activities	413,048	(754,748)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,994)	-
Proceeds from sales of investments	38,538	734,092
Net Cash from Investing Activities	36,544	734,092
Net Change in Cash	449,592	(20,656)
CASH		
Beginning of year	73,689	94,345
End of year	\$ 523,281	\$ 73,689

See Notes to Financial Statements

American Council on Science and Health, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

1. Organization and Tax Status

American Council on Science and Health, Inc. (the "Council") is a nonprofit consumer education consortium concerned with issues related to food, nutrition, chemicals, pharmaceuticals, lifestyle, the environment and health. The Council was organized on January 1, 1977 as an unincorporated association. Support for the Council comes primarily from contributions.

The Council is exempt from Federal income tax under Section 501(c)(3) of the United States Internal Revenue Code.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Change in Accounting Principle Guidance

Recognition of Contributions – Effective July 1, 2019, the Council adopted Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The guidance provides a framework for evaluating whether grants and contributions should be accounted for as exchange transactions or as nonexchange transactions. Analysis of various provisions of this standard resulted in no significant changes in the way the Council recognizes contributions, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. Adoption of this ASU had no impact on the Council's financial statements.

Net Asset Presentation

Net assets of the Council are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met. This category may also include amounts designated by the Board of Trustees.

Net Assets With Donor Restrictions – Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or be actions of the Council. Certain restrictions may require the assets to be maintained in perpetuity.

American Council on Science and Health, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (*continued*)

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allowance for Doubtful Contributions Receivable

The Council has considered a number of factors in estimating its allowance for doubtful contributions receivable, including the uncertainty of the current economy, ongoing circumstances surrounding contributors' continuing ability to meet their contribution obligations, and contribution payment history. If any of these factors were to change, it could have a material effect on the need for or amount of the estimated allowance. As of June 30, 2019, management did not believe an allowance for doubtful contributions receivable was required.

Fair Value of Financial Instruments

The Council follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investment Valuation

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains include gains and losses on investments bought and sold as well as held during the year.

American Council on Science and Health, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Contributions

The Council recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Federal and state contracts and grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Unconditional promises to give that are due beyond one year are discounted to reflect the present value of future cash flows using a risk adjusted discount rate assigned in the year the respective pledge originates. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. If contributions are received with donor stipulations that limit their use either through purpose or time restrictions, the Council records them as contributions with donor restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Accounting for Uncertainty in Income Taxes

The Council recognizes the effect of income tax positions only when they are more likely than not to be sustained. Management is not aware of any exposure to uncertain tax positions that require financial statement recognition or disclosure. The Council is no longer subject to examinations by the Federal government for periods ending on or prior to June 30, 2017.

Advertising

Advertising is expensed as incurred.

Functional Expense Allocation

Expenses are charged directly to Council program services, management and general, and fundraising based on specific identification to the extent practicable. Expenses related to more than one function have been allocated using reasonable ratios determined by management. Those expenses include personnel costs, professional fees, insurance, rent, and utilities, office expenses, depreciation, and miscellaneous which are allocated on the basis of square footage or estimated employee time spent on each functional area.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 19, 2020.

American Council on Science and Health, Inc.

Notes to Financial Statements June 30, 2020 and 2019

3. Contributions Receivable

Contributions receivable of \$0 and \$100,000 at June 30, 2020 and 2019 represent unconditional promises to give to fund operations for the years ended June 30, 2020 and 2019 that were not paid in full prior to June 30, 2020 and 2019. All amounts are due within one year.

4. Investments and Investment Returns

The following are the major categories of investments measured at fair value and categorized by the fair value hierarchy at June 30:

	2020		
	Level 1	Level 2	Total
Domestic equity securities	\$ 58,087	\$ -	\$ 58,087
Corporate bonds	-	211,918	211,918
	\$ 58,087	\$ 211,918	\$ 270,005

	2019		
	Level 1	Level 2	Total
Domestic equity securities	\$ 54,922	\$ -	\$ 54,922
Corporate bonds	-	243,920	243,920
	\$ 54,922	\$ 243,920	\$ 298,842

Net investment return, including interest on cash, consists of the following for the years ended June 30:

	2020	2019
Interest and dividends	\$ 9,129	\$ 15,240
Realized gains	1,249	111,205
Unrealized gains (losses)	6,458	(74,569)
Investment Income, Gross	16,836	51,876
Less investment fees	(2,619)	(5,543)
Investment Income, Net	\$ 14,217	\$ 46,333

American Council on Science and Health, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

5. Compensated Absences

The Council allows employees to receive compensation for vacation, personal, and sick leave, with certain limitations. The accompanying financial statements include an accrual for unused vacation leave. While unused sick and personal leave may be accumulated indefinitely, it can only be used for actual sick and personal leave and is not payable upon separation of employment. Since the amount of accrued sick and personal leave that will ultimately be taken cannot be reasonably estimated, it is the Council's policy to record the cost when actually paid to employees. As of June 30, 2020, the total unused sick and personal leave that could be taken amounts to approximately \$86,000. Additionally, the Council offers to pay one week of salary for each year of service, up to a maximum of 10 weeks of salary, in the event an employee has a serious illness requiring hospitalization. The potential maximum cost that could be incurred under this policy as of June 30, 2020 is approximately \$66,000.

6. Liquidity and Availability of Financial Assets

Total financial assets available to meet cash needs for general expenditures within one year at June 30 are as follows:

	2020	2019
Cash	\$ 523,281	\$ 73,689
Investments	270,005	298,842
Contributions receivable	-	100,000
Financial assets as of year end	793,286	472,531
Less amounts unavailable for general expenditures due to:		
Subject to grantor purpose restrictions	(106,761)	(109,461)
Financial Assets as of Year End Available to Meet Needs for General Expenditures	\$ 686,525	\$ 363,070

7. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of June 30:

	2020	2019
Young Scientists in America	\$ 33,060	\$ 35,760
Elizabeth Whelan Chair in Epidemiology	73,701	73,701
	\$ 106,761	\$ 109,461

American Council on Science and Health, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

7. Net Assets With Donor Restrictions (*continued*)

Amounts released from net assets with donor restrictions consisted of the following for the years ended June 30:

	2020	2019
Young Scientists in America	\$ 2,700	\$ 7,029
Big Fears, Little Risks	-	61,981
	<u>\$ 2,700</u>	<u>\$ 69,010</u>

8. Pension Plan

The Council maintains a defined contribution pension plan (the "Plan") qualified under Section 403(b) of the Internal Revenue Code covering all of its eligible employees. Eligible employees may make voluntary contributions to the Plan. Employer contributions to the Plan are at the discretion of the Council and are computed as a percentage of each employee's basic compensation for all enrolled members who have completed one year of service. Employer contributions charged to expense amounted to \$0 for the years ended June 30, 2020 and 2019.

9. Operating Leases

The Council exited its New York City lease agreement effective May 8, 2019 for office space and moved into a shared workspace in March 2019. The Council applied its security deposit against the rent owed. The New York City lessor did not invoice the Council for the remaining balance due and therefore this amount was not accrued as of June 30, 2019. The Council paid to terminate its Washington, DC lease agreement for office space as of February 21, 2019, of which \$6,100 was applied to the open rent expense liability.

The termination of the lease agreements resulted in the reversal of the deferred rent liability amounting to \$164,900. This reversal is shown net of payment for lease buyout as gain on cancellation of leases in other changes in net assets in the statements of activities.

Rent expense for 2020 and 2019, including utilities and escalations, totaled \$30,413 and \$226,595, respectively.

The Council relocated in March 2019 to a shared workspace location and disposed of all of its property and equipment. The loss on disposal of these assets is reflected as a change in net assets in the statements of activities for \$16,720.

American Council on Science and Health, Inc.

Notes to Financial Statements
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10. Paycheck Protection Program Loan

On May 8, 2020, the Council received loan proceeds in the amount of \$131,955 under the Paycheck Protection Program (the "PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times the 2019 average monthly payroll expenses of the qualifying entity. The PPP loan bears an interest rate of 1% per annum. All or a portion of the PPP loan principal and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act, over a period of either eight or twenty-four weeks (the "Covered Period"). The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries above a certain threshold during the Covered Period and does not qualify for certain safe harbors. The unforgiven portion of the PPP loan, if any, is payable within two years from the date of the loan. Loan payments of principal or interest are deferred until the amount of loan forgiveness is determined by the United States Small Business Administration ("SBA"). If the Council does not apply for forgiveness, payments begin approximately 16 months after the loan date.

The Council has elected to report the PPP loan proceeds as a conditional grant under requirements contained in ASU 2018-08, "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made." Accordingly, the Council recognizes income as the conditions in the PPP are met. For the year ended June 30, 2020, the Council recognized \$101,684 of the PPP loan proceeds as government grant income in the statement of activities. The remaining balance of \$30,271 at June 30, 2020, is reported as refundable advance in the statement of financial position. Although the Council believes it has met all conditions under the PPP loan requirements for the year ended June 30, 2020 to enable it to recognize income through loan forgiveness, the SBA may ultimately determine otherwise and require all or a portion of the PPP loan proceeds to be returned.

11. Related Party Transactions

Contributions of approximately \$212,100 and \$228,750 were from board members for the years ended June 30, 2020 and 2019.

The Council made payments to a company owned by a person who was an officer and board member of the Council for part of the year ended June 30, 2019 in exchange for a sidebar located on the company's website displaying links to articles produced by the Council. The Council paid the company \$27,000 for the year ended June 30, 2019.

12. Concentration of Credit Risk

Financial instruments that potentially subject the Council to significant concentrations of credit risk consist principally of cash and cash equivalents and marketable securities. At times, balances held at financial institutions may be in excess of federally insured limits. The Council has not experienced any losses on its holdings at financial institutions.

American Council on Science and Health, Inc.

Notes to Financial Statements
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13. Uncertainties

The Council's operations and financial performance may be affected by the coronavirus outbreak which has spread globally and adversely affecting economic conditions throughout the world. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the imposition or relaxation of protective measures, management cannot reasonably estimate the impact to future results of operations, cash flows, or financial condition.
