

**ASSOCIATION FOR NONSMOKERS-
MINNESOTA**
AUDITED FINANCIAL STATEMENTS
December 31, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Association for Nonsmokers-Minnesota
St. Paul, Minnesota

We have audited the accompanying financial statements of Association for Nonsmokers-Minnesota (a non-profit organization), which comprise the statements of financial position as of December 31, 2016 and 2015 and the related statements of activities, cash flows, functional expenses, 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.

Auditor's 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 of 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 auditor's 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 auditor considers 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 Association for Nonsmokers-Minnesota as of December 31, 2016 and 2015, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Harrington Jenger & Associates

April 7, 2017

ASSOCIATION FOR NONSMOKERS-MINNESOTA
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 307,333	\$ 191,382
Certificate of deposit	100,249	7,608
Grants and accounts receivable	133,928	223,401
Prepaid expenses	3,263	3,262
Note receivable	20,000	-
TOTAL CURRENT ASSETS	564,773	425,653
PROPERTY AND EQUIPMENT, at cost		
Furniture and equipment	57,263	55,276
Less: accumulated depreciation	(49,046)	(45,787)
TOTAL PROPERTY AND EQUIPMENT, net	8,217	9,489
TOTAL ASSETS	\$ 572,990	\$ 435,142
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 41,548	\$ 50,369
Accrued expenses	67,064	54,745
Grant advances	28,408	-
TOTAL CURRENT LIABILITIES	137,020	105,114
NET ASSETS		
Unrestricted	435,970	330,028
Temporarily restricted	-	-
TOTAL NET ASSETS	435,970	330,028
TOTAL LIABILITIES AND NET ASSETS	\$ 572,990	\$ 435,142

ASSOCIATION FOR NONSMOKERS-MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016
(With Comparative Totals for 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2016</u>	<u>Total 2015</u>
REVENUE AND SUPPORT				
Contract and grant income	\$ 1,514,220	\$ -	\$ 1,514,220	\$ 1,463,240
Member contributions	13,864	-	13,864	12,062
Investment income	482	-	482	41
Contributions	26,377	-	26,377	47,899
Special event	6,429	-	6,429	5,803
In-kind contributions	80,000	-	80,000	60,000
Net assets released from restrictions	-	-	-	-
	<u>1,641,372</u>	<u>-</u>	<u>1,641,372</u>	<u>1,589,045</u>
TOTAL REVENUE AND SUPPORT				
EXPENSES				
Program services	1,354,923	-	1,354,923	1,330,196
Management and general	169,502	-	169,502	166,110
Fundraising	11,005	-	11,005	9,232
	<u>1,535,430</u>	<u>-</u>	<u>1,535,430</u>	<u>1,505,538</u>
TOTAL EXPENSES				
CHANGE IN NET ASSETS	105,942	-	105,942	83,507
NET ASSETS, BEGINNING OF YEAR	<u>330,028</u>	<u>-</u>	<u>330,028</u>	<u>246,521</u>
NET ASSETS, END OF YEAR	<u>\$ 435,970</u>	<u>\$ -</u>	<u>\$ 435,970</u>	<u>\$ 330,028</u>

ASSOCIATION FOR NONSMOKERS-MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contract and grant income	\$ 1,463,240	\$ -	\$ 1,463,240
Member contributions	12,062	-	12,062
Investment income	41	-	41
Contributions	47,899	-	47,899
Special event	5,803	-	5,803
In-kind contributions	60,000	-	60,000
Net assets released from restrictions	-	-	-
	<u>1,589,045</u>	<u>-</u>	<u>1,589,045</u>
TOTAL REVENUE AND SUPPORT			
	<u>1,589,045</u>	<u>-</u>	<u>1,589,045</u>
EXPENSES			
Program services	1,330,196	-	1,330,196
Management and general	166,110	-	166,110
Fundraising	9,232	-	9,232
	<u>1,505,538</u>	<u>-</u>	<u>1,505,538</u>
TOTAL EXPENSES			
	<u>1,505,538</u>	<u>-</u>	<u>1,505,538</u>
CHANGE IN NET ASSETS	83,507	-	83,507
NET ASSETS, BEGINNING OF YEAR	<u>246,521</u>	<u>-</u>	<u>246,521</u>
NET ASSETS, END OF YEAR	<u>\$ 330,028</u>	<u>\$ -</u>	<u>\$ 330,028</u>

ASSOCIATION FOR NONSMOKERS-MINNESOTA
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 105,942	\$ 83,507
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,259	2,720
Interest reinvested	(251)	247
(Increase) decrease in:		
Grants and accounts receivable	89,473	(72,532)
Prepaid expenses	(1)	4,041
Increase (decrease) in:		
Accounts payable	(8,821)	43,727
Accrued expenses	12,319	14,124
Contract advances	28,408	-
	230,328	75,834
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Issuance of note receivable	(20,000)	-
Redemption of certificate of deposit	7,610	-
Purchase of certificate of deposit	(100,000)	-
Purchases of equipment	(1,987)	(6,942)
	(114,377)	(6,942)
NET CASH USED IN OPERATING ACTIVITIES		
INCREASE IN CASH AND CASH EQUIVALENTS	115,951	68,892
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	191,382	122,490
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 307,333	\$ 191,382

ASSOCIATION FOR NONSMOKERS-MINNESOTA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016
(With Comparative Totals for 2015)

	Program Services	Management and General	Fund- raising	Total 2016	Total 2015
Salaries	\$ 723,802	\$ 61,645	\$ 7,763	\$ 793,210	\$ 761,174
Payroll taxes	59,146	5,037	634	64,817	67,169
Benefits	114,950	9,790	1,233	125,973	118,098
Total Personnel Expenses	897,898	76,472	9,630	984,000	946,441
Contract services	216,071	27,284	-	243,355	175,923
Program media and supplies	46,077	-	-	46,077	137,955
Office supplies	9,129	2,595	175	11,899	21,929
Postage and delivery	7,601	638	170	8,409	10,974
Telephone and internet	2,229	5,108	-	7,337	11,678
Printing	91,562	2,125	993	94,680	71,217
Dues and subscriptions	4,919	1,436	-	6,355	4,767
Travel	45,449	1,463	11	46,923	29,223
Conferences and meetings	28,480	-	-	28,480	39,478
Insurance	234	919	-	1,153	849
Rent, utilities, and maintenance	3,494	50,027	-	53,521	50,030
Miscellaneous	1,780	(1,824)	26	(18)	2,354
Depreciation	-	3,259	-	3,259	2,720
Total Expenses	\$1,354,923	\$ 169,502	\$ 11,005	\$1,535,430	\$1,505,538

ASSOCIATION FOR NONSMOKERS-MINNESOTA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015

	Program Services	Management and General	Fund- raising	Total
Salaries	\$ 676,764	\$ 77,794	\$ 6,616	\$ 761,174
Payroll taxes	59,720	6,865	584	67,169
Benefits	105,002	12,070	1,026	118,098
Total Personnel Expenses	841,486	96,729	8,226	946,441
Contract services	171,943	3,980	-	175,923
Program media and supplies	137,955	-	-	137,955
Office supplies	19,497	2,241	191	21,929
Postage and delivery	9,757	1,122	95	10,974
Telephone and internet	10,383	1,194	101	11,678
Printing	63,319	7,279	619	71,217
Dues and subscriptions	4,280	487	-	4,767
Travel	29,223	-	-	29,223
Conferences and meetings	39,478	-	-	39,478
Insurance	762	87	-	849
Rent, utilities, and maintenance	-	50,030	-	50,030
Miscellaneous	2,113	241	-	2,354
Depreciation	-	2,720	-	2,720
Total Expenses	\$ 1,330,196	\$ 166,110	\$ 9,232	\$1,505,538

ASSOCIATION FOR NONSMOKERS-MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

This corporation is organized and shall be operated exclusively for the following charitable and education purposes:

- To promote and serve Minnesotans in their quest for clean, healthy air, free of tobacco smoke;
- To offer support to nonsmokers and nonsmokers' rights organizations in other states of the United States of America and in foreign countries;
- To prevent young people from starting to use tobacco;
- And more generally, to combat the health, environmental and economic problems resulting from tobacco use.

Support and Expenses:

Contributions received and unconditional promises to give are measured at their fair value and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released to unrestricted net assets. Grants and contributions whose restrictions are met in the same reporting period are reflected as unrestricted support.

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Cash and Cash Equivalents:

For the purpose of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Management believes the Organization is not exposed to any significant credit risk with respect to cash and cash equivalents.

ASSOCIATION FOR NONSMOKERS-MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

Certificate of Deposit:

The certificate of deposit is valued at cost plus accrued interest.

Grants and Accounts Receivable:

The Organization provides an allowance for doubtful accounts based on historical experience and management's evaluation of outstanding amounts. At December 31, 2016 and 2015, management considered all outstanding amounts to be fully collectible. Accordingly, there was no allowance for doubtful accounts.

Grants from Governmental Agencies:

Government grants are typically designated for use by specific program and/or conditional upon future events. Advances and/or revenue from such grants are deferred until such conditions are met or services rendered. Expenditures under government grants are subject to review by the granting authority. To the extent, if any, that such review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the disallowance is made.

Furniture and Equipment:

All major expenditures for furniture and office equipment of \$500 or more are capitalized at cost. Equipment and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair market values at the date they are received. Depreciation is provided on the straight-line method over the estimated useful lives of the underlying assets, generally 3-5 years.

Functional Expenses:

Expenses are charged to each program based on direct expenditures incurred. Any expenditures not directly chargeable are allocated to program support costs based on management's analysis and estimates of direct personnel hours and labor-related costs. These estimates are revised by management, as necessary, to reflect the current state of the Organization and to provide accurate expense allocations.

Income Taxes:

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is not a private foundation and contributions to the Organization qualify as a charitable tax deduction by the contributor.

ASSOCIATION FOR NONSMOKERS-MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)

Income Taxes (continued):

Federal and state taxing authorities generally have the right to examine the current and three previous years of income tax returns. The Organization is not currently under examination by any taxing jurisdiction.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in these financial statements. Actual results could differ from those estimates.

Reclassifications:

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on previously reported net assets.

Subsequent Events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 7, 2017, the date the financial statements were available to be issued.

NOTE 2. BORROWING ARRANGEMENT

The Organization maintains a credit card account of which they can borrow up to \$20,000 and \$35,000 for the years ended December 31, 2016 and 2015, respectively. Advances on this credit card accrued interest at a rate of 12.49% and 13.24% for the years ended December 31, 2016 and 2015, respectively. There were outstanding advances on this credit card account of \$8,215 and \$13,085, which were included in the accounts payable balance as of December 31, 2016 and 2015, respectively.

NOTE 3. NOTE RECEIVABLE

The Organization has a \$20,000 non-interest bearing note receivable for the year ended December 31, 2016.

ASSOCIATION FOR NONSMOKERS-MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 4. MAJOR FUNDING SOURCES

During the years ended December 31, 2016 and 2015, major sources of support and revenue (as a percentage of total revenue) were as follows:

	<u>2016</u>	<u>2015</u>
Minnesota Department of Health	25%	36%
Clearway	27%	25%
Blue Cross Blue Shield	18%	*

* Funding source was not a major source of support and revenue

At December 31, 2016 and 2015, accounts receivable included amounts due from these sources of approximately \$76,650 and \$118,000, respectively.

NOTE 5. RETIREMENT PLAN

The Organization maintains a Simplified Employee Pension (SEP) Plan on behalf of its employees. The Organization makes discretionary contributions on behalf of eligible employees who have attained the age of 21 and meet certain employment requirements. For the years ended December 31, 2016 and 2015, the Organization contributed \$34,838 and \$33,384, respectively, to this plan.

The Organization sponsors a 403(b) retirement plan available to all employees that work 20 hours or more per week. Participating employees can contribute the maximum amount permitted by law. The Organization made no contributions to this plan for the years ended December 31, 2016 and 2015.

NOTE 6. IN-KIND CONTRIBUTIONS

The Organization recognized in-kind contributions of \$80,000 and \$60,000 for Executive Director Services during 2016 and 2015, respectively.

NOTE 7. LEASE COMMITMENTS

The Organization leases office facilities under month to month operating leases. Rent expense on these leases amounted to approximately \$49,000 and \$46,000 for the years ended December 31, 2016 and 2015, respectively.

ASSOCIATION FOR NONSMOKERS-MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 8. CONCENTRATION OF CREDIT RISK

The Organization maintained its cash balances at financial institutions located in the Minneapolis, Minnesota metropolitan area. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC) up to \$250,000 for the years ended December 31, 2016 and 2015. At December 31, 2016 and 2015, the Organization's had uninsured cash balances of approximately \$56,000 and \$0, respectively.

NOTE 9. CERTIFICATE OF DEPOSIT

On December 31, 2016, the Organization had a certificate of deposit with original maturities of greater than three months totaling \$100,249. The certificate bears interest at 1.00% and matures in October 2017.

On December 31, 2015, the Organization had a certificate of deposit with original maturities of greater than three months totaling \$7,608. The certificate bore interest at 0.25% and matured in October 2016.