

**ASSOCIATION FOR NONSMOKERS-
MINNESOTA**
AUDITED FINANCIAL STATEMENTS
December 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Management and 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 statement of financial position as of December 31, 2019 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 audit. We conducted our audit 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, 2019, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

March 30, 2020

ASSOCIATION FOR NONSMOKERS-MINNESOTA
STATEMENT OF FINANCIAL POSITION
December 31, 2019

	Amount
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 146,225
Certificates of deposit	600,000
Contracts receivable	242,993
Contributions receivable	6,694
Prepaid expenses	4,995
Note receivable	20,000
TOTAL CURRENT ASSETS	1,020,907
 PROPERTY AND EQUIPMENT, at cost	
Furniture and equipment	113,677
Less: accumulated depreciation	(76,870)
TOTAL PROPERTY AND EQUIPMENT, net	36,807
 OTHER ASSETS	
Funds held for others	120,295
TOTAL ASSETS	\$ 1,178,009

	<u>Amount</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 63,041
Accrued expenses	44,074
Contract advances	<u>306,414</u>
TOTAL CURRENT LIABILITIES	413,529
LONG-TERM LIABILITIES	
Funds held for others	<u>120,295</u>
TOTAL LIABILITIES	<u>533,824</u>
NET ASSETS	
Net assets without donor restrictions	644,185
Net assets with donor restrictions	<u>-</u>
TOTAL NET ASSETS	<u>644,185</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,178,009</u></u>

ASSOCIATION FOR NONSMOKERS-MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contract revenue	\$ 1,847,566	\$ -	\$ 1,847,566
Member contributions	9,630	-	9,630
Investment income	11,699	-	11,699
Contributions	17,489	-	17,489
Special event	6,507	-	6,507
In-kind contributions	90,000	-	90,000
Net assets released from restrictions	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL REVENUE AND SUPPORT	1,982,891	-	1,982,891
	<hr/>	<hr/>	<hr/>
EXPENSES			
Program services			
Point-Of-Sale	503,428	-	503,428
MN Prevention Resource Center	308,835	-	308,835
Technical Assistance and Training	260,847	-	260,847
Live Smoke Free	435,896	-	435,896
Other Program Services	233,217	-	233,217
	<hr/>	<hr/>	<hr/>
Total program services	1,742,223	-	1,742,223
Management and general	172,186	-	172,186
Fundraising	12,772	-	12,772
	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	1,927,181	-	1,927,181
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	55,710	-	55,710
	<hr/>	<hr/>	<hr/>
NET ASSETS, BEGINNING OF YEAR	588,475	-	588,475
	<hr/>	<hr/>	<hr/>
NET ASSETS, END OF YEAR	<u>\$ 644,185</u>	<u>\$ -</u>	<u>\$ 644,185</u>

ASSOCIATION FOR NONSMOKERS-MINNESOTA
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019

	Amount
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 55,710
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	15,360
Interest reinvested	(6,237)
Increase in:	
Promises to give	(44,281)
Prepaid expenses	(1,484)
Increase (decrease) in:	
Accounts payable	658
Accrued expenses	11,775
Grant advances	85,329
Funds held for others	(10,237)
	106,593
 CASH FLOWS FROM INVESTING ACTIVITIES	
Redemption of certificate of deposit	485,942
Purchase of certificate of deposit	(600,000)
Purchases of equipment	(11,486)
	(125,544)
 DECREASE IN CASH AND CASH EQUIVALENTS	(18,951)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	165,176
 CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 146,225

ASSOCIATION FOR NONSMOKERS-MINNESOTA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	Program Services					Total Program Services	Management and General	Fund- raising	Total
	Point-Of- Sale	MN Prevention Resource Center	Technical Assistance and Training	Live Smoke Free	All Other Programs				
Salaries	\$ 287,935	\$ 117,811	\$ 95,166	\$ 142,829	\$ 160,519	\$ 804,260	\$ 64,371	\$ 8,813	\$ 877,444
Payroll taxes	23,114	9,432	7,634	11,418	5,421	57,019	4,564	625	62,208
Benefits	53,731	22,858	18,589	29,637	14,931	139,746	11,185	1,531	152,462
Total Personnel Expenses	364,780	150,101	121,389	183,884	180,871	1,001,025	80,120	10,969	1,092,114
Contract services	61,247	116,722	16,509	169,799	21,682	385,959	14,884	-	400,843
Program media and supplies	39,104	3,764	97,834	11,051	4,046	155,799	2,899	120	158,818
Office supplies	2,343	3,112	1,377	4,198	3,984	15,014	-	-	15,014
Postage and delivery	1,130	1,192	1,295	4,254	398	8,269	772	341	9,382
Telephone and internet	2,826	3,860	1,351	1,009	840	9,886	4,839	-	14,725
Printing	10,882	8,551	14,856	32,692	576	67,557	2,024	1,342	70,923
Dues and subscriptions	798	3,057	1,212	308	1,840	7,215	2,069	-	9,284
Travel	7,208	1,057	2,645	10,422	10,868	32,200	974	-	33,174
Conferences and meetings	7,765	8,425	2,279	9,799	4,255	32,523	-	-	32,523
Insurance	-	-	-	-	614	614	1,211	-	1,825
Rent, utilities, and maintenance	4,163	8,984	-	8,280	1,593	23,020	46,914	-	69,934
Miscellaneous	1,182	10	100	200	1,650	3,142	120	-	3,262
Depreciation	-	-	-	-	-	-	15,360	-	15,360
Total Expenses	\$ 503,428	\$ 308,835	\$ 260,847	\$ 435,896	\$ 233,217	\$1,742,223	\$ 172,186	\$ 12,772	\$1,927,181

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.

Basis of Presentation:

The financial statements of Association for Nonsmokers-Minnesota have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require Association for Nonsmokers-Minnesota to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Association for Nonsmokers-Minnesota's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Association for Nonsmokers-Minnesota or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

ASSOCIATION FOR NONSMOKERS-MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

Revenue Recognition:

The Organization recognizes revenue from exchange transactions, primarily through programs that educate and advocate non-smoking policies, when the qualifying expenditures are incurred. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as contract advances in the statements of financial position. The Organization has no cost-reimbursable grants that have not been recognized at December 31, 2019 because the qualifying expenditures have not yet been incurred, with advance payments of \$306,414 are recognized in the statement of financial position at December 31, 2019.

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, net assets with donor restrictions are released to net assets without donor restrictions. Grants and contributions whose restrictions are met in the same reporting period are reflected as support without donor restrictions.

The Organization reports gifts of goods and equipment as support without donor 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.

Certificates of Deposit:

The certificates of deposit are valued at cost plus accrued interest.

ASSOCIATION FOR NONSMOKERS-MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

Contracts and Contributions Receivable:

The Organization provides an allowance for doubtful accounts based on historical experience and management's evaluation of outstanding amounts. At December 31, 2019, management considered all outstanding amounts to be fully collectible. Accordingly, there was no allowance for doubtful accounts.

Receivables from contracts with customers are reported as accounts receivable, net in the accompanying statements of financial position. Contract liabilities are reported as deferred revenue in the accompanying statements of financial position.

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 3-7 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.

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.

ASSOCIATION FOR NONSMOKERS-MINNESOTA
NOTES TO FINANCIAL STATEMENTS

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

Change in Accounting Principles:

FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. We have implemented Topic 606 and have adjusted the presentation in these financial statements accordingly. These amendments have been applied retrospectively to all periods presented, with no effect on net assets.

FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. We have implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

Subsequent Events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 30, 2020, the date the financial statements were available to be issued. In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Organization is unable to determine if it will have a material impact to its operations.

NOTE 2. NOTE RECEIVABLE

The Organization has a \$20,000 non-interest-bearing note receivable for the year ended December 31, 2019.

NOTE 3. CERTIFICATES OF DEPOSIT

On December 31, 2019, the Organization had certificates of deposit with original maturities of greater than three months totaling \$600,000. These certificates bear interest between 0.25% and 2.50%, and mature at various dates through August 2020.

ASSOCIATION FOR NONSMOKERS-MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 4. AVAILABILITY AND LIQUIDITY

The following represents Association for Nonsmokers-Minnesota's financial assets available for general expenditure within one year of December 31, 2019:

	<u>Amount</u>
Financial Assets at Year-End	
Cash and cash equivalents	\$ 146,225
Certificates of deposit	600,000
Contracts receivable	242,993
Contributions receivable	<u>6,694</u>
 Total financial assets	 <u><u>\$ 995,912</u></u>

The Organization's goal is generally to maintain financial assets to meet three months of operating expenses. As part of its investment plan, excess cash is invested in certificates of deposit.

NOTE 5. 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 year ended December 31, 2019. At December 31, 2019, the Organization had no uninsured cash balances.

NOTE 6. BORROWING ARRANGEMENT

The Organization maintains a credit card account of which they can borrow up to \$35,000 for the year ended December 31, 2019. Advances on this credit card accrued interest at a rate of 13.74% for the year ended December 31, 2019. There were outstanding advances on this credit card account of \$6,264, which were included in the accounts payable balance as of December 31, 2019.

ASSOCIATION FOR NONSMOKERS-MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 7. MAJOR FUNDING SOURCES

During the year ended December 31, 2019, major sources of support and revenue (as a percentage of total revenue) were as follows:

	<u>Percent</u>
Clearway	21%
Minnesota Department of Health	11%
Department of Human Services	16%
Robert Wood Johnson Foundation	15%

At December 31, 2019, contracts receivable included amounts due from these sources of approximately \$205,000.

NOTE 8. IN-KIND CONTRIBUTIONS

The Organization recognized in-kind contributions of \$90,000 for Executive Director Services for the year ended December 31, 2019.

NOTE 9. 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 year ended December 31, 2019, the Organization contributed \$37,512 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 year ended December 31, 2019.

NOTE 10. LEASE COMMITMENTS

The Organization leases office facilities under an operating lease that expires in October 2020. Rent expense on these lease amounted to approximately \$62,000 for the year ended December 31, 2019. As of December 31, 2019, the Organization had future minimum lease payments of \$56,000 for the year ending December 31, 2020.

ASSOCIATION FOR NONSMOKERS-MINNESOTA
NOTES TO FINANCIAL STATEMENTS

NOTE 11. FUNDS HELD FOR OTHERS

During the year ended December 31, 2019, the Organization held unspent grant funds of an unrelated organization of \$120,295. These funds are expected to be paid back to the unrelated organization during the five-year grant period.