

**ASSOCIATION FOR NONSMOKERS - MINNESOTA**  
**AUDITED FINANCIAL STATEMENTS**  
December 31, 2023



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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Opinion**

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, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Association for Nonsmokers - Minnesota and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Association for Nonsmokers - Minnesota's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Mark Harrington, CPA (Retired) | Wayne Langer, CPA | Greg Emmerich, CPA | Michael Belknap, CPA**  
**Nichole Fairbanks, CPA | Jesse Fraley, CPA | Anna Anderson, CPA | Steven Schurhamer, CPA | Logan Jensen, CPA**

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association for Nonsmokers - Minnesota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Association for Nonsmokers - Minnesota's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## Report on Summarized Comparative Information

We have previously audited Association for Nonsmokers - Minnesota's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 12, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Harrington Langer & Associates*

May 3, 2024

**ASSOCIATION FOR NONSMOKERS - MINNESOTA**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2023  
(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 629,096	\$ 635,948
Certificate of deposit	156,164	-
Contracts receivable	191,358	206,955
Contributions receivable	1,632	1,311
Prepaid expenses	<u>4,123</u>	<u>5,240</u>
TOTAL CURRENT ASSETS	<u>982,373</u>	<u>849,454</u>
<b>PROPERTY AND EQUIPMENT, at cost</b>		
Furniture and equipment	95,597	95,597
Less: accumulated depreciation	<u>(95,597)</u>	<u>(92,332)</u>
TOTAL PROPERTY AND EQUIPMENT, net	<u>-</u>	<u>3,265</u>
<b>OTHER ASSETS</b>		
Funds held for others	<u>71,764</u>	<u>29,656</u>
TOTAL ASSETS	<u>\$ 1,054,137</u>	<u>\$ 882,375</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 25,168	\$ 3,549
Accrued expenses	75,377	75,014
Contract advances	<u>9,441</u>	<u>28,956</u>
TOTAL CURRENT LIABILITIES	109,986	107,519
<b>LONG-TERM LIABILITIES</b>		
Funds held for others	<u>71,764</u>	<u>29,656</u>
TOTAL LIABILITIES	<u>181,750</u>	<u>137,175</u>
<b>NET ASSETS</b>		
Net assets without donor restrictions	872,387	745,200
Net assets with donor restrictions	<u>-</u>	<u>-</u>
TOTAL NET ASSETS	<u>872,387</u>	<u>745,200</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,054,137</u>	<u>\$ 882,375</u>

**ASSOCIATION FOR NONSMOKERS - MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
December 31, 2023  
(With Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Total 2022
<b>REVENUE AND SUPPORT</b>				
Contract revenue	\$ 2,094,842	\$ -	\$ 2,094,842	\$ 1,090,358
Member contributions	70,138	-	70,138	40,149
Investment income	18,350	-	18,350	1,110
Contributions	17,650	-	17,650	16,344
Special event	9,025	-	9,025	7,664
In-kind contributions	95,000	-	95,000	95,000
Loss on sale of fixed assets	-	-	-	(399)
Net assets released from restrictions	-	-	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<u>2,305,005</u>	<u>-</u>	<u>2,305,005</u>	<u>1,250,226</u>
<b>EXPENSES</b>				
Program services				
Point-of-sale	164,969	-	164,969	181,427
MN prevention resource center	717,590	-	717,590	184,376
Technical assistance and training	143,588	-	143,588	165,651
Live smoke free	171,262	-	171,262	128,860
Other program services	824,013	-	824,013	475,399
<b>Total program services</b>	<u>2,021,422</u>	<u>-</u>	<u>2,021,422</u>	<u>1,135,713</u>
Supportive services				
Management and general	147,038	-	147,038	146,009
Fundraising	9,358	-	9,358	9,127
<b>Total supportive services</b>	<u>156,396</u>	<u>-</u>	<u>156,396</u>	<u>155,136</u>
<b>TOTAL EXPENSES</b>	<u>2,177,818</u>	<u>-</u>	<u>2,177,818</u>	<u>1,290,849</u>
<b>CHANGE IN NET ASSETS</b>	127,187	-	127,187	(40,623)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>745,200</u>	<u>-</u>	<u>745,200</u>	<u>785,823</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 872,387</u>	<u>\$ -</u>	<u>\$ 872,387</u>	<u>\$ 745,200</u>

**ASSOCIATION FOR NONSMOKERS - MINNESOTA**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

	Program Services					Supportive Services				
	Point-of-sale	MN prevention resource center	Technical assistance and training	Live smoke free	All other programs	Total program services	Management and general	Fund-raising	Total 2023	Total 2022
Salaries	\$ 100,146	\$ 145,813	\$ 100,068	\$ 106,917	\$ 392,884	\$ 845,828	\$ 74,450	\$ 8,291	\$ 928,569	\$ 757,061
Payroll taxes	7,786	9,297	7,791	8,249	22,592	55,715	7,767	-	63,482	51,201
Benefits	20,151	19,602	17,482	17,482	62,135	136,852	4,511	-	141,363	107,945
<b>Total Personnel Expenses</b>	<b>128,083</b>	<b>174,712</b>	<b>125,341</b>	<b>132,648</b>	<b>477,611</b>	<b>1,038,395</b>	<b>86,728</b>	<b>8,291</b>	<b>1,133,414</b>	<b>916,207</b>
Contract services	24,944	502,272	637	10,236	272,834	810,923	9,949	-	820,872	194,129
Program media and supplies	174	586	1,000	1,971	3,996	7,727	-	-	7,727	3,541
Office supplies	147	933	1,900	2,981	1,579	7,540	506	-	8,046	15,206
Postage and delivery	139	333	371	993	435	2,271	1,074	155	3,500	5,409
Telephone and internet	2,182	4,083	755	816	6,373	14,209	4,644	-	18,853	14,401
Printing	2,970	16,627	7,102	11,163	11,087	48,949	4,837	762	54,548	29,780
Dues and subscriptions	618	2,241	1,333	954	4,918	10,064	3,159	-	13,223	8,061
Travel	2,714	4,933	3,664	3,620	17,292	32,223	24	24	32,271	30,852
Conferences and meetings	876	1,052	1,257	2,131	17,541	22,857	198	-	23,055	4,973
Insurance	-	-	-	-	1,694	1,694	-	-	1,694	1,783
Rent, utilities, and maintenance	1,991	9,359	-	2,949	8,171	22,470	31,948	-	54,418	58,424
Miscellaneous	131	459	228	800	482	2,100	706	126	2,932	1,680
Depreciation	-	-	-	-	-	-	3,265	-	3,265	6,403
<b>Total Expenses</b>	<b>\$ 164,969</b>	<b>\$ 717,590</b>	<b>\$ 143,588</b>	<b>\$ 171,262</b>	<b>\$ 824,013</b>	<b>\$ 2,021,422</b>	<b>\$ 147,038</b>	<b>\$ 9,358</b>	<b>\$ 2,177,818</b>	<b>\$ 1,290,849</b>

See notes to financial statements

**ASSOCIATION FOR NONSMOKERS - MINNESOTA**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 127,187	\$ (40,623)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	3,265	6,403
Loss on sale of fixed assets	-	399
Interest reinvested	(164)	-
(Increase) decrease in:		
Contracts receivable & contributions receivable	15,276	(15,592)
Prepaid expenses	1,117	376
Increase (decrease) in:		
Accounts payable	21,619	(4,701)
Accrued expenses	363	13,299
Contract advances	(19,515)	28,150
	<b>149,148</b>	<b>(12,289)</b>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of certificate of deposit	(156,000)	-
	<b>(6,852)</b>	<b>(12,289)</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>		
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>635,948</b>	<b>648,237</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 629,096</b>	<b>\$ 635,948</b>



**ASSOCIATION FOR NONSMOKERS - MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities:**

This corporation is organized and shall be operated exclusively for the following charitable and educational 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.

**Recently Adopted Accounting Pronouncements**

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under this standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the company that are subject to the guidance in FASB ASC 326 were trade contracts receivable.

The Organization adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

**Basis of Presentation:**

The accompanying financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization 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 the Organization's management and the board of directors.

**ASSOCIATION FOR NONSMOKERS - MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Presentation (continued):**

**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 the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby 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 statement of activities.

**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 cost-reimbursable contracts that have not been recognized at December 31, 2023 because the qualifying expenditures have not yet been incurred, with advance payments of \$9,441, which is recognized in the statements of financial position as contract advances.

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 stipulations 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.

**ASSOCIATION FOR NONSMOKERS - MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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. From time to time, the Organization's balances in its bank accounts exceed Federal Deposit Insurance Corporation limits. The Organization periodically evaluates the risk of exceeding insurance levels and may transfer funds as it deems appropriate. The Organization has not experienced any losses with regards to balances in excess of insured limits or as the result of other concentrations of credit risk.

**Contracts and Contributions Receivable and Allowance for Credit Losses:**

The Organization writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the entity's accounting policy election. The total amount of write-offs was immaterial to the financial statements as a whole for the year ended December 31, 2023. Accordingly, there was no allowance for credit losses.

**Property and Equipment:**

Property and equipment are recorded at cost. Expenditures for renewals and betterments are capitalized. Repair and maintenance costs are charged to expense. When items are disposed of, the cost and accumulated depreciation are eliminated from the accounts, and any gain or loss is reflected in the results of operation. Equipment and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair market values on the date they are received. Depreciation expense is calculated on the straight-line method over the estimated useful lives of the assets:

	<u>Years</u>
Furniture and equipment	3-7

Depreciation expense was \$3,265 for the year ended December 31, 2023.

**ASSOCIATION FOR NONSMOKERS - MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Impairment of Long-Lived Assets:**

The Organization periodically reviews its long-lived assets for impairment and assesses whether significant events or changes in business circumstances indicate the carrying value of the assets may not be recoverable. An impairment loss is recognized when the carrying amount of an asset exceeds the anticipated future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. The amount of the impairment loss to be recorded, if any, is calculated by the excess of the asset's carrying value over its fair value. Management does not believe impairment indicators are present for the year ended December 31, 2023.

**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.

**Income Taxes:**

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

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) for uncertain positions that more likely than not would not be sustained upon examination by the applicable tax authorities. Federal and state tax 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.

**Functional Allocation of Expenses:**

Certain costs have been allocated between program, management and general and fundraising. Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or support service, are allocated based on the best estimates of management.

**ASSOCIATION FOR NONSMOKERS - MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Comparative Financial Information:**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements from the year ended December 31, 2022, from which the summarized information was derived.

**Subsequent Events:**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 3, 2024, the date the financial statements were available to be issued.

**NOTE 2. CERTIFICATE OF DEPOSIT**

At December 31, 2023, the Association had a certificate of deposit totaling \$156,164. This certificate is valued at cost plus accrued interest. This certificate of deposit matures in June 2024 and earns interest at 5.30%.

**NOTE 3. AVAILABILITY AND LIQUIDITY**

The following represents the Organization's financial assets available for general expenditure within one year of December 31, 2023:

	<u>Amount</u>
Financial Assets at Year-End	
Cash and cash equivalents	\$ 629,096
Certificate of deposit	156,164
Contracts receivable	191,358
Contributions receivable	<u>1,632</u>
 Financial assets available to meet general expenditures within one year	 <u><u>\$ 978,250</u></u>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its investment plan, excess cash is invested in certificates of deposit.

**ASSOCIATION FOR NONSMOKERS - MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4. MAJOR FUNDING SOURCES**

For the year ended December 31, 2023, the Organization had support and revenue from two sources that accounted for approximately 44% of total revenue and support. The Organization also had amounts due from three sources that accounted for approximately 59% of total receivables for the year ended December 31, 2023.

**NOTE 5. CONTRIBUTIONS OF NONFINANCIAL ASSETS**

The Organization recognized contributions of nonfinancial assets of \$95,000 for Executive Director Services for the year ended December 31, 2023. Fair market value was determined by what a person in that position would be paid.

**NOTE 6. 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, 2023, the Organization contributed \$39,336 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, 2023.

**NOTE 7. LEASE COMMITMENTS**

The Organization accounts for leases in accordance with FASB ASC 842. The Organization is a lessee in a noncancellable operating lease for manufacturing and office facilities that's lease term is 12 months or less. Leases for other equipment are evaluated using the criteria outlined in FASB ASC 842 to determine whether they will be classified as operating leases or finance leases. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when terms of an existing contract are changed. The Organization determines if an arrangement conveys the right to use an identified asset and whether the Organization obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. The Organization recognizes a lease liability and ROU asset at the commencement date of the lease.

There are no operating lease ROU assets and related current and long-term portions of operating lease liabilities presented in the balance sheet.

**ASSOCIATION FOR NONSMOKERS - MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7. LEASE COMMITMENTS (continued)**

Lease liabilities: A lease liability is measured based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or rate and are measured using the index or rate at the commencement date. Lease payments, including variable payments made based on an index rate, are remeasured when any of the following occur: (1) the lease is modified (and the modification is not accounted for as a separate contract), (2) certain contingencies related to variable lease payments are resolved, or (3) there is a reassessment of any of the following: the lease term, purchase options, or amounts that are probable of being owed under a residual value guarantee. The discount rate is the rate implicit in the lease if it is readily determinable; otherwise, the Organization uses its incremental borrowing rate. The implicit rates of the Organization's leases are not readily determinable; accordingly, the Organization uses its incremental borrowing rate based on the information available at the commencement date for each lease. The Organization's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment and geographic location. The Organization determines its incremental borrowing rates by starting with the interest rates on recent borrowings and other observable market rates and adjusting those rates to reflect differences in the amount of collateral and the payment terms of the leases.

ROU assets: A ROU asset is measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after commencement date, minus any lease incentives received, plus any initial direct costs. Unless impaired, the ROU asset is subsequently measured throughout the lease term at the amount of the lease liability (that is the present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued lease payments, less the unamortized balance of lease incentives received. Lease cost for lease payments is recognized on a straight-line basis over the lease term. Finance lease ROU assets are amortized on a straight-line basis over the shorter of the lease term or the remaining useful life of the asset.

The Organization has elected to separate non-lease components from lease components in leases for manufacturing and office facilities.

*Accounting policy election for short-term leases.* The Organization has elected for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less, but greater than 1 month at lease commencement, and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. The Organization recognizes lease cost associated with its short-term leases on a straight-line basis over the lease term.

**ASSOCIATION FOR NONSMOKERS - MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7. LEASE COMMITMENTS (continued)**

The Organization leases certain office facilities. The lease is for an initial 12 month term expiring in October 2024, with no annual renewal. This lease has been classified as a short-term operating lease. Rent expense on this lease amounted to approximately \$51,690 for the year ended December 31, 2023, and it is included in the rent, utilities and maintenance line item on the statement of functional expenses.

**NOTE 8. FUNDS HELD FOR OTHERS**

During the year ended December 31, 2023, the Organization held unspent grant funds of unrelated organizations of \$71,764. These funds are expected to be paid back to the unrelated organizations over the next several years.