

CONSOLIDATED FINANCIAL STATEMENTS

Global Action to End Smoking, Inc. and Subsidiary
Years Ended December 31, 2024 and 2023
With Report of Independent Auditors



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Global Action to End Smoking, Inc. and Subsidiary

Consolidated Financial Statements

Years Ended December 31, 2024 and 2023

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Report of Independent Auditors

The Board of Directors
Global Action to End Smoking, Inc. and Subsidiary:

Opinion

We have audited the consolidated financial statements of Global Action to End Smoking, Inc. and Subsidiary (the Company), which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 of 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 the Company’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



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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 of 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 GAAS 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 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 GAAS, 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 the Company'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 the Company's ability to continue as a going concern for a reasonable period of time.



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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.

Ernst & Young LLP

May 13, 2025

Global Action to End Smoking, Inc. and Subsidiary

Consolidated Statements of Financial Position

	December 31	
	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,289,099	\$ 136,768,934
Restricted cash	34,458	–
Investments	126,728,266	14,799,322
Accounts receivable	7,139	83,077
Interest receivable	83,323	244,935
Prepaid federal excise tax	12,908	–
Other assets	11,084	13,736
Prepaid expenses	34,324	62,029
Operating lease right-of-use asset	–	14,798
Total current assets	129,200,601	151,986,831
Property and equipment, net	14,761	55,365
Security deposits	55,668	55,668
Total assets	\$ 129,271,030	\$ 152,097,864
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 196,435	\$ 76,175
Accrued expenses	923,292	1,258,305
Operating lease liability	–	14,798
Deferred federal excise tax liability	16,928	–
Total current liabilities	1,136,655	1,349,278
Net assets without donor restrictions	128,099,677	150,748,586
Net assets with donor restrictions	34,698	–
Total net assets	128,134,375	150,748,586
Total liabilities and net assets	\$ 129,271,030	\$ 152,097,864

See accompanying notes.

Global Action to End Smoking, Inc. and Subsidiary
 Consolidated Statements of Activities and Changes in Net Assets

	Year Ended December 31			
	2024		2023	
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions
Revenue and other support				
Contribution revenue	\$ 619	\$ 34,698	\$ 35,317	\$ 140,000,000
Investment return	<u>6,392,331</u>	–	<u>6,392,331</u>	2,447,536
Total revenue and other support	<u>6,392,950</u>	<u>34,698</u>	<u>6,427,648</u>	142,447,536
Expenses				
Grant expenditures	19,609,403	–	19,609,403	21,405,562
Salaries and employee benefits	5,547,304	–	5,547,304	5,424,313
Communications	526,501	–	526,501	754,663
Professional services	1,234,459	–	1,234,459	1,116,723
Travel, conferences and meetings	305,444	–	305,444	329,406
Legal fees	173,324	–	173,324	436,712
Occupancy and office expenses	664,357	–	664,357	939,913
Depreciation	39,528	–	39,528	201,819
Administrative and other expenses	941,539	–	941,539	793,324
Total expenses	<u>29,041,859</u>	–	<u>29,041,859</u>	31,402,435
(Decrease) increase in net assets	(22,648,909)	34,698	(22,614,211)	111,045,101
Net assets at beginning of year	<u>150,748,586</u>	–	<u>150,748,586</u>	39,703,485
Net assets at end of year	<u>\$ 128,099,677</u>	<u>\$ 34,698</u>	<u>\$ 128,134,375</u>	<u>\$ 150,748,586</u>

See accompanying notes.

Global Action to End Smoking, Inc. and Subsidiary

Consolidated Statements of Cash Flows

	Year Ended December 31	
	2024	2023
Operating activities		
(Decrease) increase in net assets	\$ (22,614,211)	\$ 111,045,101
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) provided by operating activities:		
Depreciation	39,528	201,819
(Amortization) accretion of bond discount	40,692	(600,842)
(Profit) Loss on disposal of property and equipment	(3,670)	8,775
Deferred excise tax expense	16,928	—
Unrealized and realized gain on investments	(1,986,064)	—
Changes in assets and liabilities:		
Operating lease right-of-use assets and liabilities	—	(962)
Interest receivable	161,612	(192,034)
Accounts receivable	75,938	17,416,923
Prepaid expenses	27,705	96,577
Prepaid federal excise tax	(12,908)	—
Other assets	2,652	—
Accounts payable	120,260	(51,809)
Accrued expenses	(335,013)	970,974
Net cash (used in) provided by operating activities	(24,466,551)	128,894,522
Investing activities		
Sale (purchases) of property and equipment	4,746	(2,031)
Purchases of investments	(171,121,173)	(29,198,480)
Sale of investments	61,137,601	15,000,000
Net cash used in investing activities	(109,978,826)	(14,200,511)
(Decrease) increase in cash and cash equivalents, and restricted cash	(134,445,377)	114,694,011
Cash and cash equivalents, and restricted cash beginning of the year	136,768,934	22,074,923
Cash and cash equivalents, and restricted cash end of the year	\$ 2,323,557	\$ 136,768,934
Supplemental disclosure of cash flow information		
Cash paid for federal excise tax	\$ 107,063	\$ 15,000

See accompanying notes.

Global Action to End Smoking, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Years Ended December 31, 2024 and 2023

1. Description and Purpose of the Corporation

Global Action to End Smoking, Inc. (the Corporation) is a nonprofit, non-stock corporation organized under the General Corporation Law of the State of Delaware. The Corporation was organized in September 2017 with the charitable mission of ending combustible tobacco use, which remains the leading preventable cause of death globally.

The Corporation supports science-based global efforts to end the smoking epidemic through traditional and new methods. It focuses on three main subject areas: health and science research, cessation education, and agricultural transformation. It collaborates with academic and research centers and others to accelerate life-saving research and education projects.

The Corporation's Agricultural Transformation Initiative (ATI), located in Malawi, Africa, is wholly controlled and funded by the Corporation. Through its work with ATI and grantees, the Corporation addresses the economic consequences of the global decline of smoking on smallholder tobacco farmers in Malawi by supporting their efforts to identify and cultivate alternative livelihoods.

The Internal Revenue Service has ruled that the charitable corporation, Global Action to End Smoking, Inc., is a tax-exempt organization that is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code.

2. Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The consolidated financial statements and accompanying notes reflect the operations of the Corporation and its subsidiary after elimination of intercompany accounts and transactions. The consolidated financial statements and accompanying notes are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Global Action to End Smoking, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States 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 consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments that potentially expose the Corporation to concentrations of credit risk include cash and cash equivalents. As a matter of policy, The Corporation only maintains cash balances with financial institutions having a high-credit quality; however, in the event of a financial institution's insolvency, recovery of the Corporation's assets on deposit may be limited to account insurance by the Federal Deposit Insurance Corporation.

One donor contributed all of the contributions in 2023.

Cash and Cash Equivalents

Cash and cash equivalents consist of money market funds with an independent broker-dealer and are held for operating purposes. The Corporation considers all highly liquid instruments with maturities of three months or less at the time of purchase to be cash equivalents. Amounts held could exceed federally insured limits.

Investment Valuation and Income Recognition

Investments are carried at fair value. Purchases and sales of securities are recorded on a settlement date basis. Interest and dividend income is recorded when earned. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Global Action to End Smoking, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Accounts Receivable and Allowance for Credit Losses

Accounts receivable are recorded at amortized cost less an allowance for credit losses that are not expected to be recovered. An allowance for credit losses is established for amounts where there exists doubt as to whether an amount will be fully collected. The determination of this allowance is an estimate based on the Corporation's historical experience, review of account balances and expectations relative to collections. Management has determined no allowance was necessary at December 31, 2024 and 2023.

Property and Equipment

Property and equipment mainly consists of office and equipment and computer software and is stated at cost and depreciated using the straight-line method over estimated useful lives of the assets. Estimated useful lives are as follows:

<u>Description</u>	<u>Useful Life</u>
Computer software	2–5 years
Office and equipment	5–7 years

Contribution Revenue

Contributions, including unconditional promises to give, are recorded at fair market value when received or pledged. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Grant Expenditures

Unconditional grants are recognized as expense when the promise to give is approved by the Board of Directors. Conditional grants are recognized as expense in the period in which the recipient meets the terms of the condition.

Global Action to End Smoking, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Taxes

The Corporation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income tax. However, because the Corporation is classified as a private foundation, it is subject to a federal excise tax of 1.39% on net investment income, and the Corporation provides for deferred federal excise tax at an estimate of the effective rate expected to be paid.

Leases

The Organization evaluates at contract inception whether a lease exists and recognizes a lease obligation and right-of-use (ROU) asset for all leases with a term greater than 12 months. Leases are classified as either finance or operating. All lease liabilities are measured at the present value of the future lease payments using a discount rate. The future lease payments used to measure the lease liability include fixed payments, as well as the exercise price of any options to purchase the underlying asset that have been deemed reasonably certain of being exercised, if applicable. Future lease payments for optional renewal periods that are not reasonably certain of being exercised are excluded from the measurement of the lease liability. For all leases, the ROU asset is initially derived from the measurement of the lease liability and adjusted for certain items, such as initial direct costs and lease incentives received. ROU assets are subject to long-lived impairment testing.

Operating lease expense is recognized on a straight-line basis over the lease term and is included within occupancy and office expenses in the consolidated statements of activities and changes in net assets. The lease term is determined based on the date the Organization acquires control of the leased premises through the end of the lease term.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value due to the short maturity of the instruments.

Global Action to End Smoking, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

The Corporation uses fair value to measure certain financial instruments. The fair value of a financial instrument is the amount 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 (the exit price). The fair value should be based on assumptions that market participants would use when pricing the asset or liability. ASC Topic 820 establishes a fair value hierarchy known as “the valuation hierarchy” that prioritizes the information used in measuring fair value as follows:

- Level 1 – Quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar assets or liabilities in inactive markets (markets in which there are few transactions, the prices are not current, price quotations vary substantially over time or among market makers, or in which little information is released publicly); and valuations based on other significant inputs that are observable in active markets.
- Level 3 – Valuations derived from market valuation in which one or more significant inputs are unobservable. The unobservable inputs may include management’s own assumptions about the assumptions market participants would use based on the best information available in the circumstances.

The following are the classes of investments measured at fair value as of December 31:

	2024		
	Level 1	Level 2	Level 3
U.S. Treasuries	\$ 5,186,282	\$ –	\$ 5,186,282
Corporate bonds	–	121,541,984	121,541,984
	<u>\$ 5,186,282</u>	<u>\$ 121,541,984</u>	<u>\$ 126,728,266</u>
	2023		
	Level 1	Level 2	Level 3
U.S. Treasuries	\$ 14,799,322	\$ –	\$ 14,799,322

Global Action to End Smoking, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

3. Net Assets

The net assets of the Corporation are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in achieving the primary objectives of the Corporation.

Net Assets With Donor Restrictions

Net assets that are subject to donor-imposed stipulations and may only be used for a specific purpose. As of December 31, 2024 net assets with donor restrictions were to support the completion of the Centre for Agricultural Transformation in Malawi.

4. Grant Expenditures

As of December 31, 2024, the Board of Directors has authorized grants of unconditional and conditional promises to give of \$187,239,457. For the years ended December 31, 2024 and 2023, the Board of Directors authorized new grants of conditional promises to give of \$15,092,201 and \$10,063,933, respectively. Payments are expected to be made through the year 2028.

For the years ended December 31, 2024 and 2023, grant expenditures were \$19,609,403 and \$21,405,562, respectively, as conditions were satisfied.

There are no unconditional grants payable at December 31, 2024.

Subsequent to year end, \$5,762,953 of conditional grants have been authorized by the Board of Directors. Payments on conditional grants authorized in both 2023 and 2024 are expected to be paid through 2028. These conditional grants will be recognized as grant expenditures in the consolidated statements of activities in accordance with the grant expenditure policy described in Note 2.

Global Action to End Smoking, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

5. Financial Assets and Liquidity Resources

As of December 31, 2024 and 2023, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses are:

	2024	2023
Cash and cash equivalents, and restricted cash	\$ 2,323,557	\$ 136,768,934
Investments	<u>126,728,266</u>	14,799,322
Accounts receivable	7,139	83,077
Interest receivable	<u>83,323</u>	244,935
	<u>129,142,285</u>	151,896,268
Less: restricted by donor with purpose restriction	<u>34,458</u>	—
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 129,073,369</u>	\$ 151,896,268

As part of the Corporation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

6. Functional Classification of Expenses

The Corporation's primary program is to fund research to improve global health by ending smoking worldwide. Indirect expenses incurred in support of this primary program activity include employee salaries and benefits, facilities, office expenses, professional services and travel and meeting expenses. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques, such as square footage and time and effort. Occupancy and office expenses include rent, subscriptions, insurance, and office supplies. Administrative and other expenses include honorarium, accounting fees, and taxes.

Global Action to End Smoking, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

6. Functional Classification of Expenses (continued)

Expenses by functional classification for the year ended December 31, 2024 consist of the following:

	Health & Science Research	Agricultural Diversification	Cessation Education	Communications	Health Economics	Administrative & Other	Total
Grant expenditures	\$ 4,990,137	\$ 5,290,184	\$ 5,804,525	\$ —	\$ 3,374,557	\$ 150,000	\$ 19,609,403
Salaries and employee benefits	1,773,286	431,089	—	937,927	274,549	2,130,453	5,547,304
Communications	—	672	—	524,177	—	1,652	526,501
Professional services	209,999	39,630	—	650,080	—	334,750	1,234,459
Travel, conferences and meetings	66,793	38,028	75	37,726	1,160	161,662	305,444
Legal fees	—	3,148	—	—	—	170,176	173,324
Occupancy and office expenses	74,973	48,315	113	10,125	938	529,893	664,357
Depreciation	—	31,478	—	406	—	7,644	39,528
Administrative and other expenses	1,940	27,660	—	—	—	911,939	941,539
	\$ 7,117,128	\$ 5,910,204	\$ 5,804,713	\$ 2,160,441	\$ 3,651,204	\$ 4,398,169	\$ 29,041,859

Expenses by functional classification for the year ended December 31, 2023 consist of the following:

	Health & Science Research	Agricultural Diversification	Industry Transformation	Communications	Health Economics	Administrative & Other	Total
Grant expenditures	\$ 12,024,287	\$ 4,404,340	\$ 1,915,353	\$ —	\$ 3,061,582	\$ —	\$ 21,405,562
Salaries and employee benefits	1,391,145	725,849	125,095	615,768	261,396	2,305,060	5,424,313
Communications	—	2,313	15,000	736,803	—	547	754,663
Professional services	223,325	23,473	479,581	—	203,400	186,944	1,116,723
Travel, conferences and meetings	74,161	60,765	—	1,356	4,132	188,992	329,406
Legal fees	5,604	19,184	—	—	—	411,924	436,712
Occupancy and office expenses	306,758	94,915	100	5,878	2,477	529,785	939,913
Depreciation	147,264	45,341	—	237	—	8,977	201,819
Administrative and other expenses	445	30,007	(461)	—	(87)	763,420	793,324
	\$ 14,172,989	\$ 5,406,187	\$ 2,534,668	\$ 1,360,042	\$ 3,532,900	\$ 4,395,649	\$ 31,402,435

Global Action to End Smoking, Inc. and Subsidiary

Notes to Consolidated Financial Statements (continued)

7. Subsequent Events

In preparing these consolidated financial statements, the Corporation evaluated subsequent events through the time the consolidated financial statements were available to be issued on May 13, 2025, in compliance with applicable accounting standards. All material subsequent events have been either recognized in the consolidated financial statements or disclosed in the notes to the consolidated financial statements.

On February 5, 2025, the Global Action to End Smoking Board of Directors approved the dissolution of its wholly controlled subsidiary, Agricultural Transformation Initiative, as part of a strategic restructuring. Steps preliminary to the dissolution process have begun and the dissolution process will take place as expeditiously as possible.

Management does not anticipate a material impact on the consolidated financial statements based on this restructuring. No adjustments to the financial statements are required, and this disclosure is provided for informational purposes, only.

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All in to shape the future with confidence.

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