



CHANGE. PROGRESS. INSPIRATION.

2014 IN REVIEW

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LETTER FROM ROBIN KOVAL
CEO AND PRESIDENT



“ We’ve realigned our efforts around a unifying approach: we speak, seek and spread the truth about tobacco. ”

2014 marked the 15th year of Legacy’s work in the fight to end tobacco-related illness and death. For us it was a year of change, a time for progress, and a source of inspiration that will carry us through 2015 and beyond.

Circumstances around us are evolving rapidly. Generation Z, the moniker used to describe the generation of kids who were born after the year 2000, uses tobacco in a different way than their Millennial predecessors. Teen cigarette use is down — just eight percent. Use of other combustible products, like little cigars, hookah and newer products like e-cigarettes, is rising. And the age of initiation is inching up. While tobacco use among middle school students is at an all-time low, smoking initiation among college-age young adults is rising. The tobacco industry’s tactics continue to evolve as well. So we needed to change too.

The change started with our mission: to achieve a culture where all youth and young adults reject tobacco. That new mission statement clarifies our focus on youth and young adults and our commitment to making this the generation that ends the tobacco epidemic.

Our new mission provided the guidance for how we work. We’ve realigned our efforts around a unifying approach: to speak, seek and spread the truth about tobacco. Through our **truth**[®] campaign, we are speaking the truth to youth and young adults. Our research, evaluation and

policy functions, including the Schroeder Institute for Tobacco Research and Policy Studies, are leading the way as we seek truth and provide valuable guidance to regulators and policy makers. And, because we are dedicated to making sure all populations have the opportunity to live tobacco-free, we are spreading the truth through our community and youth activism efforts to the people and communities most at risk for tobacco use.

We are extremely proud of the progress that has followed.

In August 2014, we re-launched a revitalized **truth** effort with a new campaign titled *Finish It*, designed to engage our youth/young adult target audience across traditional, digital and social media channels. Our “Unpaid Spokesperson” execution was named “Viral Video of the Week” by *The Wall Street Journal* and within six weeks our videos were viewed more than 16.5 million times online. The award-winning campaign seeks to de-normalize youth tobacco behavior by inviting the more than 90 percent of teens who don’t smoke to use their influence to speak the truth to their peers and to use their power to, as we like to say, “Finish It.”

We created that campaign on the rigorous scientific base built by the Schroeder Institute and our Evaluation Science and Research team whose peer-reviewed work was published in leading scientific journals during the past year, including *Journal of the American Medical Association*, *New England Journal of Medicine* and *American Journal of Public Health*. Their work was cited by media, as well, in outlets as varied as *The New York Times*, *BuzzFeed* and *Al Jazeera*.

The Legacy team also played an important role informing regulatory policy on menthol and flavors, emerging technologies such as e-cigarettes and tobacco marketing. This included testimony before the U.S. Food and Drug Administration, which took its first steps to regulate products beyond cigarettes (including electronic/vapor products) via their proposed “Deeming” regulations. Our response to the proposed rulemaking included a 139-page comment letter with 285 citations, the largest ever submission by Legacy. The impact of their work, as part of the larger tobacco control community, was also felt as close as the corner drug store with CVS announcing that it would be the first major drug store chain in the U.S. to stop selling tobacco-related products.

In 2014 we also focused on supporting institutions that share our dedication to achieving health

equity and ending the undue burden tobacco places on low socioeconomic and ethnic populations. We held our Youth Leadership Institute and Coordinator Camp training events to prepare a rising generation of youth activists to help us spread the truth. To advance the U.S. Department of Health and Human Services’ Tobacco-Free College Campus Initiative, we built grant programs that target community colleges and Historically Black Colleges and Universities. These are first-of-a-kind efforts to make the campuses that serve diverse populations tobacco-free.

As you read our annual report and explore the work we did in 2014, I believe you will be as inspired as we are that a future when tobacco is a thing of the past is within our grasp. In 2015 we will continue to speak, seek and spread the truth empowered and emboldened by our progress. We will have much to share in the coming months: a new organizational brand that reflects our mission, a new home that will foster collaboration and creativity, and a broader community of partners to help us achieve our mission.

We believe everyone has a role to play in the effort to speak, seek and spread the truth about tobacco and make this the generation to finish the epidemic. We hope our change, progress and inspiration will help you find yours.

Sincerely,



Legacy’s Mission

Achieve a culture where all youth and young adults reject tobacco.



SPEAKING THE TRUTH

Youth and young adults have the power to reject tobacco. Speaking the truth means giving young people the information and tools they need to make the right choices and persuade their peers to do the same. This is how we will foster a tobacco-free generation.

INSPIRING A NEW GENERATION

To reach today's young people, **truth** itself must grow and evolve, just as they do. In 2014, we re-invented our landmark campaign to harness the power and creativity of today's youth and the power of digital, social and mobile media.

With *Finish It*, we introduced **truth** to a new generation and in a big way. *Finish It* integrates advertising with social action, giving young people messages and materials they can share across their vast social networks. The response astounded us. We received millions of online views of our new **truth** ads on YouTube, achieved record-setting sign-ups at thetruth.com and saw dramatic increases in followers across our "truth orange" social channels including Facebook and Twitter. Take a look at our 2014 work.



FINISHERS

Young people have long been the targets of tobacco marketing. We believe today's youth have the power to break the cycle when they are the force for change. "Finishers" announced **truth** for a new era and called on this generation to be part of a movement that ends tobacco for good.



UNPAID SPOKESPERSON

The MTV Video Music Awards (VMAs) – one of the most popular events of the year for youth – was the perfect platform to shine a light on how celebrities have become the new face of Big Tobacco. Our “Unpaid Spokesperson” initiative included attention-getting television advertisements that revealed candid shots of celebrities smoking to demonstrate that the tobacco industry gets tons of free marketing when images of people smoking are posted online. The ads were paired with online tools to allow young people to show their support, facilitate sharing among their friends and eliminate images of smoking from social profiles.

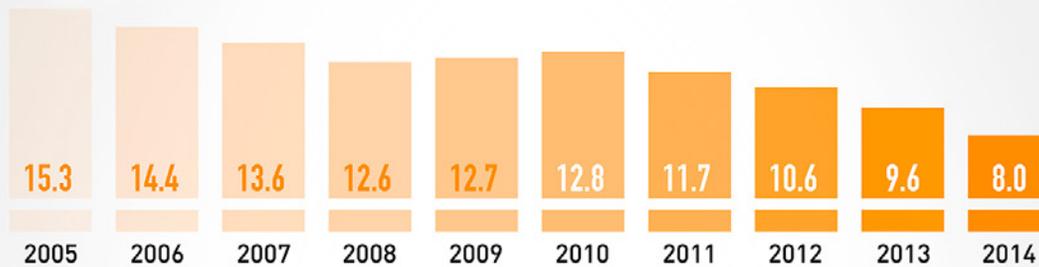
“Unpaid” was named as one of the best moments of the 2014 VMAs by the New York Post, and the Wall Street Journal named it “Viral Video of the Week.”

“ Thank you whoever started this site and I’m here to help the revolution against smoking. I’m glad to be part of something bigger. ”

Mario G.

TEEN SMOKING HITS ALL TIME LOW

Monitoring The Future reveals teen cigarette smoking is down from 9.6% in 2013 to 8.0% in 2014.



2 BILLION

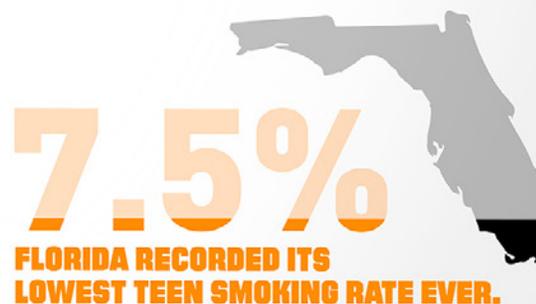
DOLLARS POTENTIALLY GIVEN UP BY CVS WHEN THEY QUIT SELLING CIGARETTES.

SMOKE-FREE COLLEGE CAMPUSES

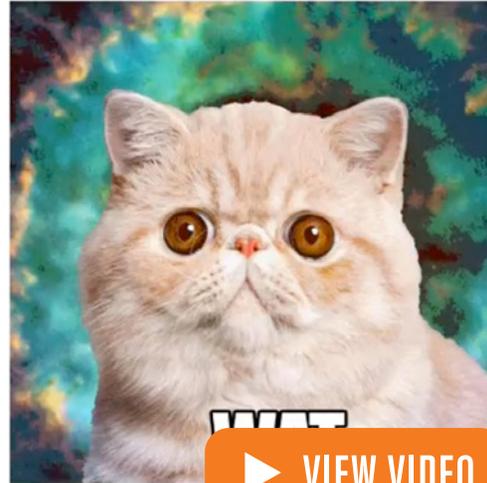


X'ED PROFILES

Over 27,000 X'ed their social media profiles to show support for Finish It and ending smoking. [#XYourProfile](#)



CVS JUST QUIT SELLING CIGARETTES



[▶ VIEW VIDEO](#)

PROGRESS REPORTS

We revealed a second wave of the *Finish It* campaign in November. Our “Progress Report” series shows how close we are to ending tobacco by highlighting milestones in the fight. For example, the decision by CVS Health to stop selling tobacco products in its stores and the historic data from Florida that teen smoking in the state known for celebrations surrounding Spring Break dropped to less than eight percent.

“...what you guys are doing is the best thing to happen this year. I wanna know how I can get more involved. I think teenage smoking needs to come to an end.”

Aleigha D.

TRUTH IN ACTION



HITTING THE ROAD

truth revved its engines and hit the road in 2014 to deliver life-saving messages for the 15th consecutive year. Signature orange **truth** trucks, decked out with DJ booths and video game consoles, again proved to be a popular part of summer concerts and festivals including the Vans Warped Tour and the Rockstar Energy Drink Mayhem Festival.

Along the way, the **truth** truck provided the backdrop for one-on-one interactions, or “inoculations,”

between tour marketers and concert-goers. **truth** marketers, like Desiree, understand how young people think and how to talk to them about tobacco. Desiree herself tried smoking in high school. After her uncle passed away from a tobacco-related disease, she chose to spread messages that can make a difference. She was one of 23 crew members who spent their summers making lasting impressions with young people and asking youth of all ages to make the fight against tobacco use their own.

2014 TRUTH TOUR



13.3 WEEKS

ON THE ROAD



1,703,317

TOTAL ATTENDANCE

1 = 100,000

118

ACTIVATION DAYS

23

TRUTH CREW MEMBERS

43

CITIES

21

STATES

85,955

GEAR DISTRIBUTED

103,560

ONE-ON-ONE INOCULATIONS

PARTNERING TO TELL THE TRUTH

Long-time **truth** partner and iconic footwear brand Vans continued its commitment to ending tobacco in 2014. Vans provided **truth** platforms to spark connections with young people.

Seven students from Sandy High School in Oregon helped the school claim victory and \$10,000 for their arts program in the second edition of the **truth**/Vans Custom Culture Competition. The competition challenged art students from 50 high schools to create an anti-tobacco design on a blank skateboard deck. The inspiration behind the 2014 winner: the “greed of the tobacco companies and the hush-hush nature of how they do business.”

A **truth**-inspired Vans apparel collection, including a pair of custom-designed shoes, socks and t-shirt, debuted in 2014. Skateboarder and graphic designer Brett Stiles created the collection featuring a stylized “smoke monster” based on **truth** fact #240: Big Tobacco’s products kill 113 people from secondhand smoke every day. The limited edition “smoke monster” shoes proved to be a hot item, nearly selling out the entire supply.



MEASURING OUR IMPACT



A key part of our commitment to speak the **truth** is an investment in evaluating our work to ensure its effectiveness. Our evaluation efforts support and enhance the **truth** public education campaign throughout the process, including campaign development, monitoring and outcome studies. In 2014, we launched two critical components of our evaluation.

Our media monitoring study tracks a nationally representative sample of 15-21 year olds. Each week we survey 140 young people to gauge campaign reach, awareness and receptivity to **truth** advertising among our target audience.

Early results of campaign performance based on media tracking showed audience ad awareness averaging 57 percent during the early phase of the campaign in the fall with the campaign performing well across gender and socio-economic status. We found especially strong awareness among Black and Hispanic

youth, and overall awareness has recently reached approximately 68%.

In order to assess the campaign's impact over the long-term, we established a nationally representative sample of more than 10,000 young people ages 15-21. The **truth** Longitudinal Cohort (TLC) will include data collection every six months over a period of approximately two-and-a-half years. A baseline online data collection was completed in mid-2014, with additional waves planned that will begin reporting in 2015 and continue through 2017.



SEEKING THE TRUTH

Effective tobacco control policies and practices must be grounded in evidence. We are committed to seeking the truth about tobacco and tobacco control policies.

RESEARCH



The Schroeder Institute for Tobacco Research and Policy Studies and our Evaluation Science and Research team are committed to rigorous science to identify the most effective means to minimize the harms from tobacco use, measure the effectiveness of interventions and point the way to promising practices grounded in science. Our researchers are generating the insights needed to create the programs and policies that will prevent youth and young adults from using tobacco and help current tobacco users quit.

TOBACCO PRODUCT PROMOTION

Our researchers work to inform local, state and federal regulators and tobacco control programs on ways to counter deadly and addictive tobacco product marketing. In 2014, we exposed how tobacco industry marketing of menthol cigarettes is reaching African Americans and younger consumers through a variety of channels, including print and direct mail. One study examined the promotion of cigars on

Instagram by Snoop Dogg, drawing attention to the use of unregulated, social media channels to reach youth and young adults. A review of noncombustible tobacco product advertising revealed the largest portion of ad spending was devoted to direct mail for smokeless tobacco and snus, but it was e-cigarette ads that were the most widely circulated via television and print.



E-CIGARETTE AWARENESS AMONG YOUTH & YOUNG ADULTS

AGES 13-17

89%

AGES 18-21

94%

RETAIL AND POINT-OF-SALE

In 2014, Legacy researchers shared cutting-edge approaches to confronting tobacco's pervasive point-of-sale promotions. Using cell phones for real time monitoring of proximity to tobacco retail locations, our investigators concluded that studies examining access to retail products must account for an individual's movement patterns and preferences. Researchers also improved point-of-sale data collection using a custom-built tool for analyzing photographs of retail tobacco advertising.

We also examined the impact of tobacco retail outlet density on smoking behaviors. In one study, our investigators found that in poor neighborhoods, smokers who lived closest to tobacco outlets were less likely to quit. They noted, too, that the tobacco outlet environment may be a critical factor in young adult tobacco use initiation. Another study found an association between tobacco use initiation and tobacco outlet density among young adults that varied by product type and age.

ELECTRONIC CIGARETTES

Legacy researchers helped to shape the dialogue on electronic cigarettes in 2014. Thoughtful commentaries in the *Journal of the American Medical Association* and the *New England Journal of Medicine* offered perspectives on the role of science in evidence-based policy decision-making and the opportunities for the use of e-cigarettes in tobacco cessation. And in a fast-changing marketplace, our research is helping shed light on these new products and their potential to reduce harm and to help smokers quit.

Researchers helped us understand how e-cigarettes are promoted and how they are perceived by young people. A study of online tobacco and e-cigarette advertising revealed that some ads for e-cigarettes were found on websites with youth readership of up to 35 percent. The most common themes for e-cigarette ads were harm reduction or as an alternative to cigarettes either for being environmentally friendly or for use in places where one cannot smoke.

In our special report called *Vaporized: E-Cigarettes, Advertising and Youth*, we noted that awareness of e-cigarettes among young people is nearly ubiquitous and that e-cigarette advertising is pervasive across many media channels.

YOUTH AND YOUNG ADULT TOBACCO USE

Looking beyond an increase in ever-use of tobacco products, our work identified a common pattern of use of multiple tobacco products by young people. A study on menthol products concluded that young smokers are most likely to continue smoking the product they first try and that while menthol smokers are more interested in quitting overall, they are less interested in quitting in the next month than non-menthol smokers.

We also considered the impact of family financial dependence on tobacco use. When a young adult is more financially dependent on his or her parents, researchers found a greater likelihood of current tobacco use. In a separate study, we found that adolescents with nicotine-dependent parents were susceptible to more intense smoking patterns and that the risk increases with longer duration of exposure. Our researchers highlighted the need to optimize interventions to help nicotine-dependent parents with quitting smoking early in their children's lifetime to reduce these risks.

In another study, our researchers found that potential responses to graphic health warning labels on cigarette packaging differed among young adults based on their previous use of tobacco products. Little cigar and hookah users and nonsmokers were more receptive to warning labels than current smokers, lending support to the preventive function of warning labels not only on cigarette packaging but also on other tobacco products.

TOBACCO CESSATION

Quitting smoking is one of the most important things smokers can do to improve their health, yet just six percent of smokers successfully quit each year. Legacy researchers conduct studies to understand the barriers to cessation and develop a range of tobacco cessation interventions that reach smokers. Our research on the connection between drinking and smoking supported previous findings that smokers who drink do so to alleviate

Support for Smokers Who Want to Quit

Legacy's commitment to tobacco cessation extends beyond our research. Our free website [BecomeAnEX.org](https://www.becomeanex.org) helps smokers to "re-learn life without cigarettes" with a three-step plan based on scientific research and practical advice from ex-smokers.

The EX Quit Plan assists smokers to identify their smoking triggers and develop ways to handle them without cigarettes. The plan also helps smokers understand the addictive nature of nicotine and why it is much more difficult to quit without the aid of nicotine replacement or other medication. The plan also shows smokers the importance of support from friends and family, whether they are helping during a rocky period or even just giving some space. A major feature of the site is a thriving online community, where smokers who are trying to quit can connect with others to share support and encouragement.

Whether it is a smoker's first try or the tenth, EX can help smokers quit and stay quit. In fact, research shows that the more times people come to [BecomeAnEX.org](https://www.becomeanex.org), the more likely they are to quit smoking.

the depressive symptoms associated with nicotine withdrawal. Two studies of web-based smoking cessation interventions documented the critical role of sustained treatment use in promoting abstinence, while a review of smoking cessation apps on Facebook found that this social media platform is a unique but as yet untapped treatment strategy.

LEADERSHIP AND POLICY



“ It’s time that all of us, in and out of government, public health, what have you . . . It’s time to start looking at nicotine differently.” ”

Mitch Zeller, Director

CENTER FOR TOBACCO PRODUCTS,
U.S. FOOD AND DRUG ADMINISTRATION

At the start of 2014, Acting U.S. Surgeon General Boris Lushniak released a new Report on Smoking and Health to mark the 50th anniversary of the release of the first. According to the 2014 report, an estimated 5.6 million children alive today will die prematurely from tobacco related illness. Legacy gave witness as the Surgeon General voiced his rallying cry: “Enough is enough.”

Legacy’s team of researchers and policy experts worked to keep tobacco issues at the top of the nation’s public health agenda throughout the year.

Our Kenneth E. Warner Lecture Series brought together forward-thinking public health leaders and policymakers to debate timely issues, including an in-depth look at tobacco retail sales just weeks after CVS Health stopped selling tobacco products in its stores. We also used the Warner Series platform to focus on critical issues such as the role of e-cigarettes and FDA regulation of tobacco products.

Legacy responded to the U.S. Food and Drug Administration’s release of proposed “deeming” regulations that would put additional tobacco products including cigars, hookah, e-cigarettes and other similar products under FDA authority

with our largest-ever official submission. In the 139-page [public comment document](#) submitted to the FDA on August 8, we stressed the need for stronger comprehensive policies that limit the reach and appeal of all tobacco products.

We urged that the FDA extend its jurisdiction over tobacco products, including premium cigars, hookah and e-cigarettes, as well as related accessories like cartridges, tanks, bottles of nicotine-containing liquid, and batteries. We encouraged the FDA to require health warning labels on product packaging and advertising for cigars and hookah. We also called for the FDA to address youth tobacco product access by establishing 18 years of age as the uniform, national minimum age for the purchase of all tobacco products, including electronic cigarettes, and to institute age verification standards and ban all online or internet sales.



SPREADING THE TRUTH

To achieve our goal of a generation free of tobacco, we need to spread the truth to the individuals, coalitions and organizations who can partner with us and take action in their communities.

NEXT GENERATION OF LEADERS



“ In July 2014, Legacy’s Youth Leadership Institute brought together 35 high school students and ten adult coordinators representing nine states. ”

How do you counter the tobacco industry’s efforts to target young people as “replacements” for the 1,300 smokers who die each day from smoking? We believe that you train and inspire future leaders.

LEADERSHIP GROWS THROUGH EXPERIENCE

Our 18-month Youth Activism Fellowship leadership program nurtures young adults interested in tobacco control and provides opportunities for them to learn and lead projects that will make a difference in their communities.

Student Isra Ahmed utilized her fellowship project to raise awareness about tobacco products, like e-cigarettes and hookah, as part of her efforts to

implement a campus-wide tobacco-free policy at California’s San Jose State University. Her peer Brittany Russell chose to work with mental health clinicians to encourage them to incorporate tobacco cessation into treatment plans for their patients. Nearly half of the cigarettes consumed in the U.S. are smoked by persons with mental illness — yet tobacco cessation is not an established part of mental health treatment.



OPPORTUNITIES THAT INSPIRE ACTIVISM

Legacy offers tools and training opportunities that guide youth toward becoming better tobacco control activists. Our interactive [online toolkit for activism](#) includes useful information and case studies to help young people across the country create and carry out awareness and activism activities.

Our in-person trainings bring together passionate people to prepare them to be the catalyst for the generation that ends tobacco use.

In July 2014, Legacy's Youth Leadership Institute brought together 35 high school students and ten adult coordinators from nine states. A week of information-sharing and training sessions in Washington, DC energized youth groups to spread the truth at home.

Legacy and the Campaign for Tobacco-Free Kids co-hosted the Youth Engagement Alliance for Tobacco Control Coordinator Camp in August 2014. The conference assembled 130 adult coordinators from youth tobacco prevention programs in 26 states to share strategies and insights on how to work effectively with young people and make progress fighting the use of tobacco in communities from coast to coast.

SUPPORT THROUGH SCHOLARSHIPS

We were proud to recognize the outstanding work of two students through our 2014 Dr. Alma S. Adams Scholarship for Outreach and Health Communications to Reduce Tobacco Use Among Priority Populations.

An interactive DVD highlighting the work of the statewide youth activism group 84 Movement earned Frankie Correa a \$5,000 scholarship. Frankie, a criminal justice student at the University of Massachusetts campus in Boston, applied his artistic and digital skills to tell the story of his youth group as it advocated for the successful passage of legislation to limit the sale of tobacco to youth in Boston.

A tobacco control outreach curriculum, designed for use in settings such as schools, community centers and social services agencies, secured a \$5,000 scholarship for Catherine Dick. Catherine, a second year graduate student who is studying social work at the University of Southern California, developed the curriculum to serve people most vulnerable to tobacco use.

COMMUNITY OUTREACH



“ Legacy joined with eight organizations in 2014 under the leadership of former U.S. Surgeon General Dr. Regina Benjamin on the Tobacco-Free HBCU Campus Initiative. ”

The impact of tobacco varies across socio-economic groups. Communities of color and low-income populations are among those whose incidence of smoking is higher than the national average. If we are to make progress toward a tobacco-free future, we need partners in those communities who can help us spread the truth and give everyone in the country the chance at a tobacco-free life.

COMMITTED TO MAKING COLLEGES TOBACCO-FREE

A national effort, led by the U.S. Department of Health and Human Services, is underway to make four-year colleges and universities smoke-free. Legacy used 2014 to introduce companion efforts aimed at community colleges and Historically Black Colleges and Universities (HBCUs).

Community colleges serve approximately 13 million students, about 45 percent of undergraduates in the U.S. These institutions serve as a gateway to postsecondary education for many people of color, as well as low-income and first-generation college students. In 2014, we opened a call for proposals for small grants to support 100 percent smoke-free or tobacco-free policy adoption and received 41 applications for support.

Legacy joined with eight organizations in 2014 under the leadership of former U.S. Surgeon General Dr. Regina Benjamin on the Tobacco-Free HBCU Campus Initiative. The first-of-its-kind effort seeks to engage all 105 federally-recognized HBCUs to support development and implementation of comprehensive smoke-free or tobacco-free policies. Today, just 35 HBCU institutions have such policies. As a partner, Legacy will provide grant support to HBCUs willing to advocate for, adopt and implement a 100 percent smoke-free or tobacco-free campus policy.



In the U.S., two out of five children between the ages of three and 11 are exposed to secondhand smoke.

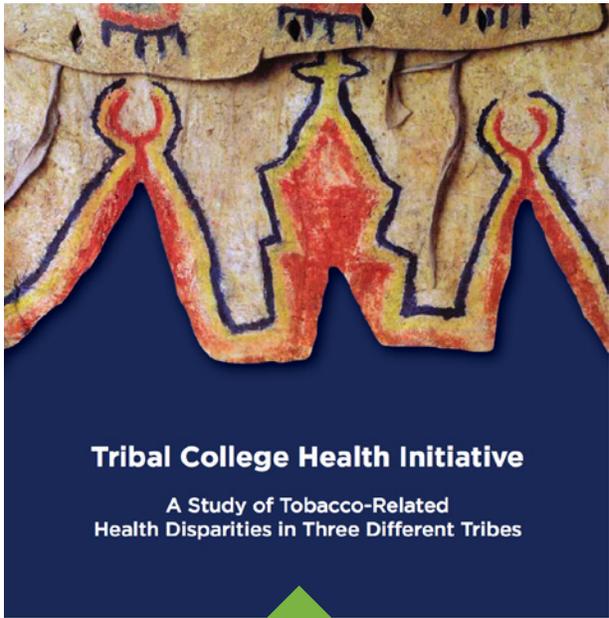
STARTING OFF TOBACCO-FREE

For more than a decade, Legacy’s Head Start Tobacco Cessation Initiative has partnered with Head Start programs at the state level to spread the truth about tobacco to low-income families served by their early childhood education and care programs.

In 2014, we trained Head Start staff in Massachusetts, Minnesota and Pennsylvania to bring information about secondhand smoke to Head Start families and assist smokers with tobacco cessation resources. Legacy’s efforts spurred programs like the one in Luzerne County, Penn., to begin incorporating tobacco questions in their school year assessments. This will provide the critical data that Head Start staff need to ensure their future efforts help the children who need it most.

TRIBAL COLLEGE HEALTH REPORT

Legacy and the Inter-Tribal Council of Michigan released the results of a multi-year project to examine tobacco-related health disparities among three American Indian tribes. The community-based research project documented extremely high rates of smoking among American Indian adults — with a shocking smoking rate of 60 percent in the Billings Area Indian Health Service Region. Our report highlights the critical need for tribe-specific research and tailored tobacco prevention and cessation programs for American Indian populations.



Tribal College Health Initiative
A Study of Tobacco-Related Health Disparities in Three Different Tribes

“ I think that connecting [the tribal colleges] with other tribal agencies and other agencies that may be willing to support an effort like this is probably the greatest success of this project. ”

Favian Kennedy, Executive Director

HEALTH EDUCATION AND PROMOTION COUNCIL
AND TRIBAL COLLEGE HEALTH INITIATIVE
COMMUNITY PARTNER

The background is a solid blue color with several sets of white concentric circles of varying sizes scattered across it. The text is centered in the upper half of the image.

FINANCIALS AND BOARD OF DIRECTORS

American Legacy Foundation & Affiliate Consolidated Balance Sheets

Years Ended June 30, 2014 and 2013 (In Thousands)

| ASSETS | 2014 | 2013 |
|-------------------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 156,345 | \$ 158,792 |
| Investments | 939,983 | 876,125 |
| Accrued interest receivable | 221 | 377 |
| Prepaid expenses | 893 | 711 |
| Grants receivable | 608 | 1,593 |
| Trades to be settled | 426 | - |
| Property and equipment, net | 328 | 546 |
| 1724 Mass. Ave. building, net | 25,870 | 26,436 |
| 2030 M Street building, net | 25,979 | 26,515 |
| Bond issuance costs, net | 437 | 469 |
| Other assets | 417 | 163 |
| TOTAL | \$ 1,151,507 | \$ 1,091,727 |

| LIABILITIES AND NET ASSETS | 2014 | 2013 |
|---|---------------------|---------------------|
| Liabilities: | | |
| Grants payable | \$ 375 | \$ 86 |
| Trades to be settled | — | 495 |
| Accrued expenses | 7,668 | 18,401 |
| Loans payable | — | 17,933 |
| Bonds payable | 28,000 | 28,000 |
| Refundable advances | 84 | 84 |
| Liability on interest rate swap agreements | 3,907 | 4,830 |
| Other liabilities | 926 | 1,962 |
| | 40,960 | 71,791 |
| Commitments and Contingencies (Note 9) | 1,110,547 | 1,019,936 |
| NET ASSETS—UNRESTRICTED | \$ 1,151,507 | \$ 1,091,727 |

American Legacy Foundation & Affiliate Consolidated Statements of Activities

Years Ended June 30, 2014 and 2013 (In Thousands)

| | 2014 | 2013 |
|---|---------------------|---------------------|
| Revenue and support: | | |
| • Rental income | \$ 2,653 | \$ 2,313 |
| • Other income | 1,911 | 4,491 |
| • Investment income, net of fees | 146,870 | 107,474 |
| • Settlement proceeds: | | |
| • Public education | 126 | 125 |
| TOTAL REVENUE AND SUPPORT | \$ 151,560 | \$ 114,403 |
| Expenses: | | |
| • Program expenses: | | |
| - Counter marketing, communications, and government affairs | \$ 28,835 | \$ 38,987 |
| - Research & Evaluation | 5,432 | 5,465 |
| - Other programs | 5,681 | 6,182 |
| - Schroeder Institute | 4,463 | 4,018 |
| - Grants | 3,264 | 2,811 |
| | \$ 47,675 | \$ 57,463 |
| Supporting services: | | |
| • General and administrative | 6,721 | 6,765 |
| • Building expenses | 5,175 | 2,982 |
| • Development | 1,378 | 1,448 |
| TOTAL EXPENSES | \$ 60,949 | \$ 68,658 |
| Change in net assets | \$ 90,611 | \$ 45,745 |
| Net assets: Beginning | 1,019,936 | 974,191 |
| NET ASSETS: ENDING | \$ 1,110,547 | \$ 1,019,936 |

American Legacy Foundation & Affiliate Consolidated Statements of Cash Flows

Years Ended June 30, 2014 and 2013 (In Thousands)

| | 2014 | 2013 |
|---|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| • Change in net assets | \$ 90,611 | \$ 45,745 |
| ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH IN OPERATING ACTIVITIES: | | |
| • Realized and unrealized gain (loss) on investments | \$ (131,454) | \$ (97,047) |
| • Other investment gain (loss) | (11,053) | (7,970) |
| • Depreciation | 1,787 | 1,770 |
| • Change in interest rate swap agreements | (923) | (3,021) |
| • Amortization of bond issuance costs | 32 | 32 |
| CHANGES IN ASSETS AND LIABILITIES: | | |
| • Increase (decrease) in: | | |
| - Accrued interest receivable | \$ 156 | \$ 2,698 |
| - Trades to be settled | (921) | 963 |
| - Other assets | (254) | 149 |
| - Prepaid expenses | (182) | (107) |
| - Grants receivable | 985 | (822) |
| • Increase (decrease) in: | | |
| - Accrued expenses | (10,733) | 10,582 |
| - Grants payable | 289 | 86 |
| - Refundable advances | — | (87) |
| - Other liabilities | (1,036) | 532 |
| NET CASH USED IN OPERATING ACTIVITIES | \$ (62,696) | \$ (46,497) |

American Legacy Foundation & Affiliate Consolidated Statements of Cash Flows

Years Ended June 30, 2014 and 2013 (In Thousands)

| | 2014 | 2013 |
|--|--------------------|-------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| • Purchase of property and equipment | \$ (467) | \$ (479) |
| • Proceeds from sale of investments | 4,129,934 | 4,100,124 |
| • Purchase of investments | (4,051,285) | (4,002,235) |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | \$ 78,182 | \$ 97,410 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| • Principal payments on loan payable | (17,933) | (1,341) |
| NET CASH USED IN FINANCING ACTIVITIES | \$ (17,933) | \$ (1,341) |
| Net increase (decrease) in cash and cash equivalents | (2,447) | 49,572 |
| CASH AND CASH EQUIVALENTS: | | |
| • Beginning | \$ 158,792 | \$ 109,220 |
| • Ending | 156,345 | 158,792 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | | |
| • Cash paid for interest | \$ 1,384 | \$ 1,558 |
| • Cash (refund from) paid for income taxes | (2) | (35) |

AMERICAN LEGACY FOUNDATION GRANTS

Fiscal Year Ended June 30, 2014

LEGACY EVALUATION AND RESEARCH NETWORKS

- Weill Medical College of Cornell University

Legacy Evaluation and Research Networks Total → **\$102,535**

STRATEGIC ALLIANCE

- Action on Smoking and Health
- American Academy of Pediatrics
- American Heart Association
- American Nonsmokers' Rights Foundation
- Asian Pacific Partners for Empowerment & Leadership
- Breathe California of Sacramento - Emigrant Trails
- Foundation to Advance Public Health Certification
- Georgia State University
- Harvard School of Public Health
- Lung Cancer Alliance
- Partnership for Prevention
- Regents of the University of Michigan
- The Trustees of Columbia University in the City of New York

Strategic Alliance Total → **\$940,600**

OTHER

- C-Change
- Citizens Commission to Protect the Truth
- The National Center on Addiction and Substance Abuse at Columbia University
- University of California, San Francisco

Other Total → **\$639,476**

EX GRANT SUPPORT

- American Academy of Pediatrics

EX Grant Support Total → **\$31,835**

EVALUATION AND RESEARCH

- Johns Hopkins University
- The Trustees of Columbia University in the City of New York

Evaluation and Research Total → **\$53,090**

CAMPAIGN FOR TOBACCO-FREE KIDS

- Campaign for Tobacco-Free Kids

Campaign for Tobacco-Free Kids Total → **\$1,550,000**

TECHNICAL ASSISTANCE AND TRAINING

- Emory University

Technical Assistance and Training Total → **\$56,394**

GRAND TOTAL → **\$3,373,930**

2014 LEGACY BOARD OF DIRECTORS



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Idaho State Attorney General, Boise, ID



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