March 26, 2007

TO: ACSH Trustees, Founders, Science and Policy Advisors, and Supporters

FROM: Dr. Elizabeth Whelan and ACSH Staff

RE: FY 2006 Annual Report and Financial Statement, and Interim Update on FY 2007 Programs and Activities

I am very pleased to enclose a copy of ACSH’s latest Annual Report, which details our activities, accomplishments, and financial status during our 2006 fiscal period (July 1, 2005 to June 30, 2006). We could not have accomplished all we did without your support and scientific guidance. Thank you!

Our current fiscal period is proving to be equally as prolific, with many new, exciting programs, publications, and projects completed, in progress, or planned. This memorandum will briefly update you on some of our current activities.

Publications and Projects Completed
We have released the following peer-reviewed ACSH publications during the first eight months of our 2007 fiscal year:

- Brominated Flame Retardants: A Burning Issue
- What’s the Story? Health Effects of Low-Level Radiation
- Counterfeit Drugs: Coming to a Pharmacy Near You (condensed and expanded versions)
- A Primer on Dental Care: Quality and Quackery
- Helping Smokers Quit: A Role for Smokeless Tobacco?
- Trans Fatty Acids and Heart Disease
- Are Low-Dose Health Effects of Chemical Real?
- Nutrition Accuracy in Popular Magazines 2004-2005

ACSH research was also published in the following scientific journal articles:

• “The ‘Low Dose’ Hypothesis: Validity and Implications for Human Risks,”

Additionally the following ACSH seasonal and/or serial publications were released:
• *Media Update* (two issues, Jan – June 2006 and July – Dec 2006)
• *ACSH in Action* (two issues, Fall 2006 and Winter 2007)
• Resolutions 2007
• Unfounded Scares of 2006

**Publications Underway**
We have a variety of new ACSH position papers planned, or in progress, for release in
the next few months, as funding permits, that includes:

• a white paper on MTBE (a gasoline additive) and human health
• a textbook on environmental science policy (in conjunction with Northwood University in Michigan)
• an update on our classic booklet on food irradiation (exploring the use of food irradiation to make produce safer)
• an ACSH position paper on scientific credibility and industry funding
• a “What’s the Story?” brochure on sugar substitutes
• a review of “Asbestos and Human Health”
• an overview of “chemo-prevention” of breast cancer (medication to reduce the risk of breast cancer or reduce the risk of recurrence)

**Special Programs and Projects**
We have two very large and exciting projects in the works:

1. *A new book on the health consequences of obesity*
   Perhaps you recall ACSH’s highly acclaimed book *Cigarettes: What the Warning Label Doesn’t Tell You: The First Comprehensive Guide to the Health Consequences of Smoking* (later turned into a website version for young adults). In that book we examined the health impacts of smoking by medical specialty -- from the point of view of the surgeon, obstetrician, oncologist, cardiologist, and so forth.

   Our new book on obesity will take the same approach -- examining the health consequences by medical specialty.

2. *A new ACSH “Riskometer” website*
   The ACSH “Riskometer” is a site where visitors will truly see health risks in perspective. The graphics are spectacular -- and the data available very consumer friendly.

   The site is based on a paper being developed by Dr. John Morgan, cancer epidemiologist with the California Cancer Registry. Dr. Morgan is using national data from the CDC to chronicle the causes of deaths for Americans in 2002 (the latest year for which complete data are available). The site uses dynamic Flash graphics to give readers a dramatic view of the relative impacts of the various causes of deaths including major diseases. One section of the site (the “Riskometer” itself) presents on a dynamic meter the numbers of
deaths from various causes relative to total 2002 deaths. The other section is a series of ovals whose size is proportional to the number of deaths. Rolling a mouse over an oval calls up the odds of dying from that cause, as well as an evocative illustration and some explanatory text. The site is still under development. When it is complete, we expect to roll it out at a press conference to gain maximum media attention.

3. Producing vlogs (video logs)
ACSH for years has been posting daily “blogs” at HealthFactsandFears.com. But very soon we will be posting vlogs, short for video logs, as well.

We have been invited by Howstuffworks.com to contribute video to be featured as part of their health section. We will provide a link to our vlogs from our homepage. This is an exciting opportunity to take our message directly to the public in an accessible way. By partnering with Howstuffworks.com we will continue to broaden our reach. With the help of our donors around the country, we raised the money we needed to buy the equipment to create high quality video.

4. An ACSH membership campaign
Over the past three years, ACSH has been very successful using direct mail to solicit donations from American consumers.

We have literally sent out hundreds of thousands of pieces of mail carrying ACSH’s message -- and asking for a donation. Some checks that arrive are for $25, others $100, $500 -- one check even came in for $10,000. Our message is resonating with Americans who are tired of unfounded health scares and want to hear the facts from mainstream scientists. We are continuing to test new mailing lists and new packages (e.g., our “top 10 health scares” promotion, recently mailed to all of our donors). We plan on continuing to aggressively pursue growth in this promising area.

5. Media outreach
ACSH continues to receive extensive and diverse coverage in the media, with letters to the editor in the Wall Street Journal, New York Times, and elsewhere -- and op-eds in papers like the New York Post and Washington Times, as well as the Houston Chronicle, San Francisco Chronicle, Investor’s Business Daily, the New York Sun, and others. Also, we’ve gotten our positions published on various websites including TCSDaily.com, American.com (from the American Enterprise Institute), Medical Progress Today (from the Manhattan Institute), and the consumer health website WebMD. We’ve also appeared on televised news broadcasts, including CBS Evening News, CNBC, WNBC-TV (New York), and Fox News, and in many radio interviews.

Future Publications and Projects
Pending additional financial support, we hope to produce educational publications that address these topics in the near future:

- The benefits and risks of drug importation
- The critical importance of adult vaccinations
- Hypertension
- The promise of statins
• High fructose corn syrup and health
• Asthma: causes and treatment
• Obesity and technology (evaluating the use of Xenical in weight loss -- expected to be available OTC this summer)
• Obesity and public policy
• Using food technology to make our food supply more plentiful, safer, and more nutritious (food irradiation, biotechnology, fat substitutes, etc.)
• Backgrounder on diabetes

Thank you again for your ongoing support.
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ACSH accepts unrestricted grants on the condition that it is solely responsible for the conduct of its research and the dissemination of its work to the public. The organization does not perform proprietary research, nor does it accept support from individual corporations for specific research projects. All contributions to ACSH—a publicly funded organization under Section 501(c)(3) of the Internal Revenue Code—are tax deductible.

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Dear friend of ACSH,

The bad news is that unscientific claims seem to be getting even more frequent and irresponsible — with fewer scientists daring to speak out against politically-fashionable nonsense. But the good news is that the American Council on Science and Health (ACSH) continues to be an ever more present and popular counterweight to that nonsense.

Fiscal 2006 (July 1, 2005 to June 30, 2006) was one of our best years ever. We received donations of some $3 million, the largest budget we’ve had to work with in our twenty-eight year history. If we continue this momentum, it will help us to be even more effective in pursuing future programs and projects we’d like to take on — such as a sweeping look at the issue of government intervention in fighting chronic diseases and unhealthy lifestyle choices.

In addition to hundreds of op-eds and media appearances, during the fiscal period ACSH released major reports on biomonitoring, mercury emissions, benefits and risks in pharmaceutical use, low-level radiation, health claims against cosmetics, bird flu, sugar substitutes, and the legal contrast between cigarettes and food (details can be found elsewhere in this report).

A key highlight of the year is ACSH’s distribution of more than 750,000 copies of our report and consumer-friendly brochure on the benefits and risks of pharmaceuticals, to doctor’s offices nationwide. Not only was this a most successful educational outreach effort, but it was also one of the single largest publication sales in our twenty-nine year history.

Another turning point of the year for ACSH in terms of growth and development is the continued success of a targeted development and planning program that reorganized and institutionalized our fundraising efforts. With renewed focus on recruiting leaders, ACSH established a new Board of Trustees that assumed legal guardianship of the organization in late May 2005. This Board is comprised primarily of business and civic leaders who are dedicated specifically to building and assuring ACSH’s financial stability and viability. A listing of ACSH’s Board of Trustees appears elsewhere in this report.

Our former ACSH Board of Directors, composed primarily of distinguished scientists, transitioned to a new panel called the Founders Circle where they continue to serve ACSH. Their role now is to steward the scientific direction and discourse of the organization.

I’m confident ACSH, with the help of its supporters will become an increasingly important part of the national dialogue as unscientific initiatives — such as the panic-driven ban on trans fats in New York City recently — gain traction in national politics, continue to demand a vigorous response from those of us who still believe in evidence, logic, and the rational assessment of risks.

Sincerely,

Dr. Elizabeth Whelan
February 2007
ABOUT ACOSH

AMERICAN COUNCIL ON SCIENCE AND HEALTH

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The American Council on Science and Health (ACSH) is a national, non-profit, tax-exempt 501 (c) (3) consumer health education and advocacy organization based in New York City that is dedicated to providing the public with scientifically based information on the relationships between human health and chemicals, foods, nutrition, lifestyle factors and the environment.

ACSH was founded in 1978 by a group of concerned scientists who wished to ensure that peer-reviewed science was used to formulate personal and public health policies and decisions. Led by its Founder and President, Dr. Elizabeth M. Whelan, guided by a Board of Trustees composed of prominent business, science, policy and civic leaders — and advised by both a Founders Circle and a Board of Scientific Advisors of over 350 of the nation’s leading scientists, physicians, and policy experts, ACSH has distinguished itself as one of the most influential public and environmental health advocacy organizations in the nation.

ACSH advisors are well-respected professionals, particularly in their individual areas of expertise. They represent a breadth of fields, such as agricultural sciences, AIDS, biotechnology, chemistry and biochemistry, dental sciences, economics, epidemiology, exercise physiology, food science and technology, quackery and health fraud, medical ethics and bioethics, medicine, nursing, nutrition (animal and human), occupational medicine, pediatric and child health, pharmaceutical sciences, physical science, psychiatry and psychology, public health, radiation/electromagnetic fields, smoking and tobacco, toxicology, veterinary medicine, and terrorism preparedness and response.

ACSH scientists believe that modern day technologies and sciences have contributed to — not detracted from — the good health of the American people, and that public health resources should not be wasted chasing hypothetical or minuscule health threats when there are many real risks that need to be addressed. Thus, ACSH scientists regularly appear on radio and television programs to promote ACSH’s conclusion — and ACSH op eds, letters to the editor, articles, commentaries and website postings appear almost daily in major media outlets.

With an annual budget of approximately $3 million, ACSH is supported by the tax-deductible donations of private foundations, individuals, corporations and associations. More information on ACSH and its scientific positions can be found online at ACSH.org and HealthFactsAndFears.com.
CHAIRMAN

John F. Moore, Ph.D., M.B.A.
Grove City College, President Emeritus

Dr. John Moore, Chairman of the American Council on Science and Health, was president of Grove City College from 1996 to 2003. From 1990 until 1996, Moore was an administrator and faculty member at George Mason University. He was Founding Director of the University’s International Institute. In addition, he served as Distinguished Service Professor and Director of Institutional Relations for the Center for the Study of Public Choice. In June 1985, President Ronald Reagan appointed Moore Deputy Director of the National Science Foundation, a position he held until electing to join George Mason University in January 1990.

VICE CHAIRMAN

Mr. Frederick Anderson, Esq.
McKenna Long & Aldridge

Frederick R. Anderson, Vice Chairman of the American Council on Science and Health, is a partner/attorney at the law firm McKenna Long & Aldridge. His practice involves strategic corporate counseling, regulatory affairs, litigation, enforcement, and crisis management. He has legal experience involving energy and natural resources development, science and technology, and the environment.

PRESIDENT

Elizabeth M. Whelan Sc.D., MPH
American Council on Science and Health

Dr. Elizabeth M. Whelan is President of the American Council on Science and Health (ACSH) and a member of its Board of Trustees. She founded ACSH in 1978.

Nigel M. Bark, M.D.
Albert Einstein College of Medicine

Dr. Nigel Bark is Associate Professor of Clinical Psychiatry at Albert Einstein College of Medicine. He is the Director of Schizophrenia Research at Bronx Psychiatric Center (BPC), where he has been involved in trials of the new antipsychotics and other aspects of schizophrenia since the early 1990s, and holds a movement disorder clinic. He has a private practice and specializes in clinical psychopharmacology.

Elissa P. Benedek, M.D.
University of Michigan Medical School

Dr. Elissa P. Benedek is Adjunct Professor of Psychiatry at the University of Michigan School of Medicine. She is a consultant for the Center for Forensic Psychiatry (Ann Arbor, Michigan), is an examiner for the American Board of Psychiatry and Neurology, and has a private practice in child, adolescent, and forensic psychiatry.

Norman E. Borlaug, Ph.D.
Texas A&M University

Dr. Norman E. Borlaug is an agricultural scientist, teacher, humanitarian, and Nobel laureate, and is known as the Father of the Green Revolution. He is a Distinguished Professor of International Agriculture at Texas A&M University and Special Consultant with the International Maize and Wheat Improvement Center (CIMMYT) in Mexico City. He is credited with saving more lives than any person who has ever lived.

Michael B. Bracken, Ph.D., M.P.H.
Yale University School of Medicine

Dr. Michael B. Bracken is the Susan Dwight Bliss Professor of Epidemiology; Professor of Obstetrics, Gynecology, and Reproductive Science; and Professor of Neurology at the Center for Perinatal, Pediatric, and Environmental Epidemiology at Yale University.
James E. Enstrom, Ph.D., M.P.H.
University of California, Los Angeles

Dr. James E. Enstrom is Research Professor at the University of California, Los Angeles, School of Public Health and Jonsson Comprehensive Cancer Center. His research focuses on the epidemiology of cancer and other major chronic diseases in well-defined populations within California and the United States.

Jack Fisher, M.D.
University of California, San Diego

Dr. Jack C. Fisher is Emeritus Professor of Surgery and former Head of the Division of Plastic Surgery at UC San Diego. Dr. Fisher has authored or co-authored more than 200 published works that have enhanced the fields of transplantation immunity, chronic wound healing, reconstructive burn surgery, and biomaterials tolerance. He has served for more than a decade on the UB School of Medicine Dean’s Advisory Council, and received the 2006 Distinguished Alumnus Award.

The Honorable Bruce S. Gelb
New York, NY

Bruce S. Gelb is the President of the Council of American Ambassadors. He is currently a senior consultant to Bristol-Myers Squibb Company. Prior to this, Ambassador Gelb was appointed Commissioner for the United Nations, Consular Corps, and International Business by New York City Mayor Rudolph W. Giuliani, serving from 1994 to 1997. Before his work as a Commissioner for New York City, he served in the George H.W. Bush administration as the U.S. Ambassador to the Kingdom of Belgium (1991-1993), Director of the U.S. Information Agency (1989-1991), and a member of the Arts and Humanities Committee.

Donald A. Henderson, M.D., M.P.H.
University of Pittsburgh Medical Center

Dr. Donald A. Henderson is Distinguished Scholar at the Center for Biosecurity of the University of Pittsburgh Medical Center and Professor of Public Health and Medicine at the University of Pittsburgh. He is Dean Emeritus of the Johns Hopkins School of Public Health and a Founding Director (1998) of the Hopkins Center for Civilian Biodefense Strategies. From November 2001 through April 2003, he served as Director of the Office of Public Health Emergency Preparedness and, later, as Principal Science Advisor in the office of the Secretary of Health and Human Services.

Thomas Campbell Jackson, M.P.H.
Pamela B. Jackson and Thomas C. Jackson Charitable Fund

Thomas Campbell Jackson is the founder of the Pamela B. and Thomas C. Jackson Charitable Fund. Through the Fund, Jackson’s priorities include strategic planning and support for organizations promoting science education, rational inquiry, and human health. Jackson has extensive experience in health benefits research and administration, and the formulation of health policy.

Elizabeth (Betsy) McCaughey, Ph.D.
Committee to Reduce Infection Deaths

Dr. Elizabeth McCaughey is a health policy expert and the former Lt. Governor of New York (1994-1998). She is the founder and Chairman of the Committee to Reduce Infection Deaths, a non-profit organization devoted solely to providing safer, cleaner hospital care, and an Adjunct Senior Fellow at the Hudson Institute, where she focuses on the impact of medical innovation and scientific discovery on longevity, health care costs, and the economy.
**Henry I. Miller, M.D.**  
*The Hoover Institution*

Dr. Henry I. Miller is a research fellow at the Hoover Institution, where his research focuses on public policy toward science and technology. It encompasses a number of areas, including pharmaceutical development, the new biotechnology, models for regulatory reform, and the emergence of new viral diseases.

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**Katherine L. Rhyne, Esq.**  
*King & Spalding LLP*

Katherine L. Rhyne is a partner in the Tort and Environmental Litigation Practice at King & Spalding in Washington, DC, where she focuses on chemical risk assessment issues in the context of environmental regulation or tort litigation. Her practice involves the application of toxicology, epidemiology, exposure assessment and other scientific disciplines in the courtroom or agency rulemaking.

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**Mr. Rodney W. Nichols**  
*Indo-US Science & Technology Forum*

Rodney W. Nichols, President and CEO of the New York Academy of Sciences from 1992 to 2001, was previously Scholar-in-Residence at the Carnegie Corporation of New York (1990-1992) and Vice President and Executive Vice President of The Rockefeller University (1970-1990). He has also served as an R&D manager in industry and in the Office of the Secretary of Defense.

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**Lee M. Silver, Ph.D.**  
*Princeton University*

Dr. Lee M. Silver is a professor at Princeton University in the Department of Molecular Biology and the Woodrow Wilson School of Public and International Affairs. His doctorate is in biophysics from Harvard University.

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**Mr. George F. (Gerry) Ohrstrom**  
*The Ohrstrom Foundation*

George F. Ohrstrom is a private investor and part-time president of the Ohrstrom Foundation, a family foundation established by his grandfather. His business experience includes private equity at G. L. Ohrstrom & Co., investment banking at Bear Stearns & Co., and industrial products manufacturing at various manufacturing companies in the U.S. and Europe.

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**Thomas P. Stossel, M.D.**  
*Harvard Medical School*

Dr. Thomas P. Stossel is a professor of medicine at Harvard Medical School. He was educated at Princeton University and Harvard Medical School. Stossel's basic research concerns fundamental mechanisms of cell motility. This research led to discoveries that may reduce critical care complications of major injury and impact platelet transfusion therapy. His policy interests concern physician and researcher interactions with private industry.

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**Kenneth M. Prager, M.D.**  
*Columbia University Medical Center*

Dr. Kenneth Prager is Clinical Professor of Medicine at Columbia University College of Physicians and Surgeons and Director of Clinical Ethics and Chairman of the Medical Ethics Committee of Columbia University Medical Center. Dr. Prager is heavily involved in teaching pulmonology and medical ethics to medical students, house officers, and nurses.

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**Harold D. (Hal) Stratton, Jr.**  
*Dykema*

Harold D. Stratton, Jr. is a partner at the Washington, DC office of Dykema. His practice focuses on federal and state regulatory and litigation matters, with an emphasis on consumer product safety issues and other federal regulatory matters. He most recently served as Chairman of the U.S. Consumer Product Safety Commission.
ACSH Partnership Program

ACSH’s Partnership Program was formed to promote ACSH’s message to a broader audience by working with prominent and respected individuals, universities, and like-minded organizations and institutions to advance causes or events of mutual interest.

ACSH Works with Washington Legal Foundation

In August 2005, ACSH partnered with the Washington Legal Foundation (WLF) and petitioned the Environmental Protection Agency (EPA) to eliminate “junk science” from the process by which EPA determines whether a substance is likely to cause cancer in humans. The petition called for legal reform at the federal and state level, arguing that current EPA guidelines violate the Information Quality Act (IQA) — the law that requires the federal government to ensure the “quality, objectivity, utility, and integrity” of information it dispenses to the public. In March 2006 the petition was declined by the EPA, which asserted that EPA’s guidelines constitute a “policy” document, and therefore are not subject to the IQA. The WLF appealed the decision on behalf of ACSH, but the appeal was also subsequently declined. ACSH continues to advance its efforts to bring commonsense science into our regulatory decision-making.

In March 2006, the Washington Legal Foundation also published an ACSH legal opinion letter, “Don’t Dilute Drug Approval Process with Non-Scientific Criteria.” The ACSH letter addressed critics’ concerns that the FDA should be using non-science-based factors in its approval equation when deciding the worth of a new drug. Critics argue that ethics should be given consideration in FDA approval of drugs or food processes, such as the Plan B “morning after pill,” the new human papillomavirus vaccine against sexually transmitted cervical cancer, cloned-animal-produced meats, and gene-splicing technologies. ACSH argued that non-scientific considerations or measures have no place in a science-based organization.

Open Letter to Policy Makers

In January 2006 ACSH partnered with the Competitive Enterprise Institute (CEI) in an open letter to policy makers that helped to draw the EPA’s attention to the usefulness — despite environmentalists protests — of human data in determining whether minute environmental trace chemicals pose any actual health risk. Specifically, in an open letter published as an ad in The Roll Call on January 30, 2006, and The Hill on January 31, 2006, ACSH endorsed the EPA’s decision to allow the use of human volunteers in research studies and clinical trials, while also supporting the National Academy of Sciences’ (NAS) recommendation to the EPA that it establish strict guidelines that would ensure these human tests were ethically conducted with minimal risk to the volunteers.

ACSH Works with the State Policy Network

In 2006 ACSH formed an alliance with the State Policy Network (SPN). SPN’s mission is to provide strategic assistance to independent research organizations and think tanks devoted to discovering and developing market-oriented solutions to state and local public policy issues. Under the partnership ACSH provides SPN’s members with its science-based information and publications, and encourages SPN’s members to contact ACSH whenever they need to work with a dependable and respected source of factual, comprehensible health information.

Dr. Whelan Speaks at Heartland

In October 2005, the Heartland Institute hosted a luncheon for Dr. Elizabeth Whelan, president of ACSH. Whelan discussed “Contemporary Issues In Public Health: Separating Fact from Fiction.” She explains, “The good news is that topics related to health and preventive medicine are in the news more than ever. Public health issues — including those related to food safety, obesity, cancer prevention, pharmaceutical availability, and more — are of great interest to consumers. The bad news is that health topics are often highly emotionally charged — and subject to misinformation and distortion.” She examined six major health myths and the not-always-well-known truth that lurks behind them.
ACSH Develops Environmental Curriculum for College

ACSH is developing a pilot course on environmental controversies for Northwood University that will give students the tools necessary to grapple with these issues in the real world. Synthesizing ACSH's peer-reviewed research studies on health and the environment, the course will counter the scaremongering and poor risk-assessment that so often characterizes other environmentally-themed courses in our nation's colleges. It will examine the science and methods of risk-assessment used for the creation of environmental, public health, and safety regulations, and the economic effect of such risk assessment and regulation on business, communities, and the nation.

Upon completion of this course students will be able to:
- understand the methodologies of health and safety science
- understand the methodologies of risk assessment and the concept of background risks
- understand how environmental, public health, and safety regulations are created (reference doses, acceptable daily intakes, etc.)
- appreciate the body of environmental, health, and safety law in the United States
- understand the nexus between scientific studies and regulatory activities
- understand the various approaches to the public analysis of public welfare
- use cost-benefit analysis to examine the likely benefit of health and safety regulations
- make marginal comparisons between multiple health and safety projects
- understand the costs and benefits of regulatory compliance on economic performance and growth
- understand the roles of various stakeholders, such as advocacy/interest groups and the media, in policy formation and public discussions about risk and policy.

The ACSH pilot course, “Health and the Environment: Science, Principles, Risk Assessment, Regulation” will be offered in the Fall 2006 semester of Northwood University.

DOCUMENTARY VIDEOS, FORUMS, AND EVENTS

Video Documentaries

ACSH produces video news releases to popularize and promote ACSH's message to a lay audience in a more consumer-friendly manner.

In the fall 2005 ACSH produced and publicized an 11-minute video synopsis based on its War on “Carcinogens” book. The video documentary utilizes footage from interviews with scientists and conveys the book’s message in a visually understandable format to those who do not have time to read the ACSH book or companion summary. The video synopsis is downloadable from the ACSH website.

Similarly, ACSH produced a video news release based on its Biomonitoring report that further explained the CDC’s biannual study on biomonitoring and helped the public to understand why the detection of trace chemicals in blood is not necessarily a cause for concern.

Flu Education Campaign

During the fall 2005, at the height of the flu season and consumer fears of the avian flu virus, ACSH launched a coordinated national flu vaccination and education campaign and speaking tour, offering ACSH experts to the media and other forums, to address flu vaccinations, the nature of a potential outbreak of avian influenza, the shortage of anti-viral medicines such as Tamiflu, and the lack of an effective vaccine for the avian influenza. The educational campaign included Public Service Announcements (PSA) by ACSH representatives that were distributed and aired nationally. ACSH also published a peer-reviewed study on the avian influenza virus (see Publications section).

ACSH Award Reception Honors Dr. Michael Crichton

At a special lunch hosted by ACSH on November 4, 2005, ACSH presented popular author and filmmaker Dr. Michael Crichton with the ACSH 2005 Sound Science Award. The award was presented for his defense of sound scientific principles and critiques of junk science. The ceremony and luncheon, which took place at the Union League Club in Manhattan, drew an impressive crowd and featured remarks from such prominent individuals as ABC News's John Stossel and former White House Chief Counsel, the Honorable C. Boyden Gray, in addition to the guest of honor.

ACSH also published several favorable reviews of Dr. Michael Crichton’s State of Fear book in the New York Post and elsewhere, emphasizing his successful use of fiction to bring attention to the dangers of using agenda-driven “junk science” to establish public health and environmental policy. Dr. Crichton reaches a broad readership that may not ordinarily be receptive to the science-driven message that is conveyed in this novel.
HOSTING SCIENCE-BASED INFORMATION WEBSITES

ACSH has three websites at ACSH.org, HealthFactsAndFears.com, and TheScoopOnSmoking.org where visits doubled from approximately 100,000 visits per month to over 200,000 visits per month during FY 2006.

ACSH.org is the organization’s primary portal, where visitors can view ACSH new releases and conclusions on current health and environmental topics, learn about or register for special ACSH events and forums, and read or downloaded free of charge ACSH’s peer-reviewed publications.

HealthFactsAndFears.com, ACSH’s frequently-updated blog, generates about one in ten visits to ACSH.org. Visitors to FactsAndFears can participate in lively debates about the latest health scares and controversies by reading and responding to editorial commentaries by ACSH experts. Highlights of topics FactsAndFears covered in late 2005 included groundless scares over milk, breakfast cereals, window caulking, benzene in soft drinks, chemicals in newborns, chemicals in our blood, biomonitoring, Teflon, health effects from extremely low-dose chemical exposures, bus exhaust, dental amalgams, pharmaceuticals, fast food, cleaning products, mercury in vaccines, mercury in fish, mercury emissions from power plants, acrylamide in French fries, silicone, PCBs, the cervical cancer vaccine, fluoride, coffee, DDT, geographic cancer clusters, and the chemicals in ordinary tap water.

The panic didn’t end with 2005, though, and the first half of ’06 saw FactsAndFears weighing in to quell unscientific fears over such things as cancer from cosmetics, eating like an American instead of a French person, collecting pesticide data from humans, some off-label uses of drugs, wi-fi “radiation,” Plan B, biotech, numerous “toxins” in food, high-fructose corn syrup, industry-linked scientists, popcorn, aspartame in soft drinks, and even flame retardants — that’s right, even life-saving flame retardants have been targeted as a potential carcinogen by some activists and bureaucrats who’d like to ban them.

As long as these scares keep cropping up — and ACSH’s supporters are with us — HealthFactsAndFears.com will keep trying to chop them down. Alas, it doesn’t look like there will be a shortage of material anytime soon.

Finally, TheScoopOnSmoking.org is a website that ACSH hosts for teens to provide young adults with the comprehensive information they need to know about smoking and health in an interactive way.

ACSH SUMMER AND ONE-YEAR INTERNSHIP PROGRAM

ACSH offers one-year and summer internship positions to qualified candidates, as funding permits. Undergraduates and recent graduates find themselves working more intimately with ACSH, gaining experience at our New York offices in monitoring and responding to health controversies, helping to craft ACSH’s reports and op-eds. ACSH interns are usually master’s level graduates or candidates who join ACSH and work under the guidance of ACSH’s executive and research staff to gain invaluable research, writing, and public health education work-related experience before pursuing advanced training or doctoral level studies, or frequently going on to illustrious careers in public health, science writing, and other fields.

Jackie Eisenberg

Molly Lee is a one-year intern sponsored through the generous support of the Earhart Foundation.
ACSH publishes scientific reports on a broad range of topics related to food, chemicals, pharmaceuticals, the environment, and human health. ACSH scientific reports are submitted to the rigorous peer review of experts in their respective fields — similar to the process used by major scientific journals — to ensure that the resulting ACSH conclusions represent the consensus of the mainstream scientific community. The final research paper is then normally submitted for additional peer review and publication by well-known and respected science journals. A consumer-friendly version is also written for public distribution.

During FY 2006 ACSH produced nine new scientific reports.

**Biomonitoring: Measuring Levels of Chemicals in People — and What the Results Mean** (Jul 2005): Each year the Centers for Disease Control report that, thanks to increasingly precise technology, an ever-greater array of chemicals can be found in our bodies — and each year this fact becomes fodder for scare stories as activists lament our “body burden” of “toxins.” But the mere detection of chemicals in minuscule amounts does not imply any risk to human health.

**Regulating Mercury Emissions from Power Plants: Will It Protect Our Health?** (Sep 2005): Congress toyed with the idea of sharply reducing power plant emissions as a means of combating mercury poisoning — yet there is little evidence that factory emissions are a substantial source of mercury in humans, and what mercury can be traced to factories is largely from overseas, particularly Asia, and would not be affected by changes in American regulations. ACSH’s report was distributed to Congress shortly before they were to debate the onerous new regulations.

**The Health Effects of Low-Level Radiation** (Oct 2005): Not all radiation exposure is equal. Haunted by an awareness of the radiation sickness caused by nuclear blasts, many people fear routine exposure to illuminated watch dials, cell phone towers, cosmic rays, medical X-rays, and more. This report explains how radiation exposure is measured and why there is little reason to fear the smallest exposures.

**Weighing Benefits and Risks in Pharmaceutical Use: A Consumer’s Guide** (Oct 2005): People chronically miscalculate the risks they face, fleeing from tiny but scary-sounding risks while casually accepting large risks — including the risk of untreated disease — that they consider more familiar. That bad habit makes it all too easy to ban, sue, withdraw, or avoid helpful medications on the basis of minute — and inevitable — risks of side effects.

**What's the Story? Health Claims Against Cosmetics: How Do They Look in the Light?** (Nov 2005): Activists have recently spread the claim that cosmetics can cause cancer, and they point to the fact that the cosmetic industry is largely self-policing as “evidence.” This short, informative brochure explains the safety-testing process through which cosmetics pass, shows the weakness of evidence for makeup as carcinogenic, and dispels the unnecessary fear that glamour equals death.

**What’s the Story? Weighing the Benefits and Risks of Your Medications** (When There’s No Such Thing as Absolute Safety) (Dec 2005): Despite the fact that all medications — including natural remedies and over-the-counter drugs — carry some degree of risk, our desire to avoid risk tends to be especially intense when it comes to prescription drugs. We simply don’t know what information to trust. And who can blame us when consumer advocates, politicians, and trial lawyers are quick to capitalize on the latest sensational media headlines alleging that your medications may be unsafe? Media hype can unnecessarily intensify our fear and intolerance of even small, highly improbable risks, and lead us to discard our pills. Unfortunately, doing so can subject us to far greater health risks — such as pain, disability, or even death. (ACSH also published a full-length report on this important topic.) More that 3/4 million copies of this brochure was sold and distributed nationally for display in doctor offices across the country, making this one of ACSH’s most widely distributed publications.

**Avian Influenza, or “Bird Flu”: What You Need to Know** (Mar 2006): This important ACSH booklet describes the real concerns about a potential — but as yet hypothetical — mutated form of the avian influenza virus, including the prospects for combating it, without succumbing to the indiscriminate panic surrounding the topic. The current strain of bird flu infecting poultry flocks in Asia — H5N1 — is highly contagious among birds and has resulted in the death or destruction of over 150
million birds. The outbreaks, which began in 1997, are the most severe on record and the most widespread; infected birds often die within two days and, as of mid-2006, birds in about fifty countries have been affected. But headlines about “deadly bird flu” that make no distinction between avian and human victims contribute to needless panic.

Sugar Substitutes and Your Health (Apr 2006): If you enjoy diet soft drinks or other reduced-calorie or “light” products, you’re in good company. According to a recent survey, 180 million American adults use low-calorie, sugar-free foods and beverages. Despite the popularity of these products, though, some people have concerns or questions about the safety of the sugar substitutes that make the products possible. Misinformation about sugar substitutes abounds, especially on the Internet, and people may have difficulty distinguishing trustworthy sources of information on this topic from less reliable ones. ACSH can help.

Foods Are Not Cigarettes: Why Tobacco Lawsuits Are Not a Model for Obesity Litigation (Jun 2006): Foods are not cigarettes and should not be treated like them in the courts, according to a new publication from ACSH. In the wake of litigation against cigarette companies, some trial attorneys have tried to make the case that foods, especially those offered by fast food restaurants, are uniquely responsible for the decades-long increase in obesity in the United States. But in a new publication, Foods Are Not Cigarettes: Why Tobacco Lawsuits Are Not a Model for Obesity Lawsuits, physicians and scientists associated with ACSH point out the many ways in which foods and cigarettes differ in their health effects.

JOURNAL PUBLICATIONS

Here are just a few of the recent peer-reviewed journal papers written in conjunction with ACSH — forming the basis for our other, more layman-friendly reports:

- “Low-Calorie Sweeteners and Other Sugar Substitutes: A Review of the Safety Issues” (from Comprehensive Reviews in Food Science and Food Safety) by ACSH’s Dr. Ruth Kava, Dr. Manfred Kroger, and Kathleen Meister
- “Biomonitoring: Is Body Burden Relevant to Human Health?” (from Regulatory Toxicology and Pharmacology) by Dennis Paustenbach and David Galbraith
- “Perfluorocanoic Acid (PFOA) and Human Health” (from Technology) by ACSH
- “Assessing and Managing Methylmercury Risks Associated with Power Plant Mercury Emissions in the United States” (from Medscape General Medicine) by ACSH’s Dr. Gail Charnely

SEASONAL AND SERIAL PUBLICATIONS AND RELEASES

ACSH produces seasonal and serial publications that keep consumers aware of current ACSH programs and activities, editorials and commentaries, and health tips and advice. During FY 2006 these included:

ACSH in Action (published quarterly)

ACSH Media Update (published semiannually)

Health and Safety Tips for Your Summer Vacation (updated annually)

ACSH Holiday Dinner Menu (updated annually)

ACSH Resolutions for Good Health (updated annually)
ACSH serves as a scientific resource to print and electronic media. Whenever a health controversy, scare, or concern emerges, ACSH experts are available to respond and are routinely invited to appear on major radio and TV programs, and to write editorials, articles, and letters for local and national newspapers and journals.

**SELECTED BROADCAST APPEARANCES**

ACSH President Dr. Elizabeth Whelan on CBS Radio in Los Angeles (on acrylamide), WGN-TV in Chicago (on bird flu), and on Japanese TV (on the strange American idea of a “fat tax”).

ACSH Executive/Medical Director Dr. Gilbert Ross on CNBC (on bird flu), radio stations WFUF and WFLA in Florida (also on bird flu), and Fox News Channel (on strokes)

ACSH Director of Nutrition Dr. Ruth Kava on CBS 4 in Miami (on sweetener safety), CNN’s Anderson Cooper show (on people who literally eat garbage), and Fox 5 in New York (on acrylamide)

ACSH Associate Director Jeff Stier, Esq. on CBS 2 in New York (on Greenpeace’s mercury fears), Public Radio’s “Marketplace” show (on benzene in soda), and AP Radio and Voice of America (on tobacco)

**SELECTED PRINT MEDIA COVERAGE**

**The New York Times**

Editorials and letters to the editor from ACSH representatives include:

“Futile McBans” (from the New York Sun) by ACSH’s Dr. Elizabeth Whelan 6/26/06

“Cancer Triumph and Travail” (from the Washington Times) by Whelan 6/15/06

“It’s the Food, Stupid” (from National Review Online) by Whelan 6/14/06


“You Dirty Rats!” (from TCSDaily.com Europe) by Whelan 5/30/06

“A Matter of Choice” (from the New York Times) by ACSH’s Dr. Ruth Kava 5/17/06

“Detecting Prostate Cancer” (from the Washington Times) by Whelan 5/16/06

“All Drugs Have Side Effects” (from the New York Times) by ACSH’s Dr. Gilbert Ross 5/16/06

“The Sweetener Lowdown” (from TCSDaily.com) by Kava 5/16/06

“Science Courts’ Needed For Malpractice Litigation” (from the Wall Street Journal) by Ross 5/15/06

“Belated, But Welcome, DDT Support” (from the Washington Times) by Ross 5/7/06

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“Life is stressful enough without worrying unnecessarily, and we should be grateful that the ACSH exists.”

“Why do we allow a small number of junk-science devotees and trade-barrier-supporters to dictate public health policy to the rest of the world, at a cost of millions of lives?”

ACSH Op-Ed, “Pulling EU to the Harvest”
The Washington Times, 2/19/2006

“A Slow Burn on Fast Food” (from the Washington Times) by Whelan 5/6/06

“Public Health’s Credibility Crisis” (from Skeptical Inquirer) by Whelan 5/1/06

“Good News on Evista Comes Too Late for Some” (from MedicalProgressToday.com) by Ross 4/28/06

“Big Brother Will See You Now” (from NationalReview.com and CBSNews.com) by Whelan 4/25/06

“COX-2 Comeback?” (from TCSDaily.com) by Ross 4/12/06

“Mayor Bloomberg, M.D.” (from the New York Sun) by Whelan 4/6/06

“Be Concerned, But Don’t Panic, Over Bird Flu” (from Investor’s Business Daily) by Whelan 3/20/06

“Depression’s Toll” (from USA Today) by Ross 3/16/06

“Are Sodas the New Cigarettes?” (from the Washington Times) by Whelan 3/16/06

“For the Birds or Sleeping with the Fishes? What to Make of the Avian Flu Threat” (from NationalReview.com) by Whelan 3/14/06

“Don’t Dilute the Drug Approval Process with Non-Scientific Criteria” (from Washington Legal Foundation’s Legal Opinion Letter) by Whelan and Ross 3/10/06

“Pulling EU to the Harvest” (from the Washington Times) by Ross 2/29/06

“Big Tobacco Challenged” (from the New York Sun) by ACSH’s Jeff Stier 2/27/06

“Reclaiming Medicine for Patients and Physicians” (from TCSDaily.com) by Ross 2/14/06

“Smoke Out Doctors Who Neglect Their Smoking Patients” (from Medscape General Medicine) by Ross 2/9/06

“WTC Health Czar? No!” (from New York Post) by Ross 1/30/06

“Further Study Needed on ‘Mild Bird Flu’ Claims” (from Financial Times) by ACSH’s Aubrey Stimola 1/12/06

“We Must Have Multiple Options for Dealing with Avian Flu” (from Pittsburgh Post-Gazette) by Stimola and Ross 1/5/06

“Science Appears to Be in Retreat” (from Seattle Post-Intelligencer) by Ross 12/30/05


“The Strike’s Upside: Healthy Exercise” (from New York Sun) by Stier 12/22/05

“A Year of Public Health Lunacy” (from New York Post) by Whelan 12/16/05

“What About Smokeless Tobacco?” (from CA Online) by Ross and ACSH’s Mara Burney, on 12/14/05

“A Controversial Doctor of the Year Award” (from Wall Street Journal) by Whelan, 12/13/05

“Cheap Canadian Drugs: Good Politics, Bad Medicine” (from SperoForum.com) by Whelan, on 12/12/05

“Medication Risks” (from Miami Herald) by Ross 12/5/05

“Dioxin: Death for Objectivity” (from Spiked-Online) by Michael Gough 12/1/05

“Fast Food Tells All” (from Washington Times) by Whelan 11/28/05

“CT Scans Are Not for All Smokers” (from Newsday) by Ross 11/24/05

“Risks and Benefits of DDT” (from Lancet) by Ross 11/19/05

“30,000 Americans Die Every Year from the Flu” (from Boston Globe) by Ross 11/13/05

“Smokeout: Not as Easy as ABC” (from Washington Times) by Stier and Dr. Brad Rodu 11/13/05

“In order to save more of the almost 40,000 Americans who die annually of the flu, we should be mandating the vaccination of school children in addition to infants and toddlers as recommended by the Center for Disease Control and Prevention.”

ACSH Op-Ed, “Vaccinate School Children” USA Today, 11/7/2005
“Flu Shot Priorities” (from Washington Times) by Ross 11/9/05

“Bird Flu: The Basic Facts” (from New York Post) by Whelan 11/8/05

“Vaccinate School Children” (from USA Today) by Ross 11/7/05

“Scienza la nuova frontiera della prevenzione” (from Corriere della sera) by Burney 11/3/05

“Science Goes Down the River” (from Spiked-Online) by Whelan 11/2/05

“Wrong Prescription” (from NationalReview.com) by Ross 11/2/05

“Experimental Vaccine Against Avian Influenza” (from Wall Street Journal) by Ross 11/1/05

“Good Politics, Bad Medicine: Drug Importation Legislation Threatens the Future of Life-Saving Therapies” (from IntellectualConservative.com) by Whelan 9/28/05

“Erin Brockovich: Ivy League Junk Science” (from Washington Times/Spiked-Online) by Whelan 9/27/05

“Vaccinate Schoolchildren to Reduce Influenza Toll” (from Archives of Internal Medicine) by Ross 9/26/05

“Juicing the Truth” (from Spiked-Online) by Whelan 9/12/05

“Better Science in Court Serves Everyone’s Interest” (from Wall Street Journal) by Stier 9/1/05

“Vioxx: Who’s Responsible?” (from Spiked-Online) by Whelan 8/24/05

“Save the Old by Vaccinating the Young” (from HealthNewsDigest.com) by Ross 10/31/05

“Fries-and-Cancer Study: Thin Science” (from Newsday) by Ross 8/23/05

“Trace Toxins and the Public Health” (from Wall Street Journal) by Burney 8/11/05

“There’s Already a ‘Cure’ for Breast Cancer” (from MedicalProgressToday.com) by Whelan 10/14/05

“Current Tort System Needs Healing Hand of Medical Tribunals” (from Investor’s Business Daily) by Ross and Ross 8/11/05

“Drug Importation Threatens Pharmaceutical Importation” (from Heartland.org) by Whelan 8/1/05

“Spontaneous’ Mad Cow Strikes Other Species, Too” (from Wall Street Journal) by Kava 7/28/05

“A Chemical Reaction” (from National Review Online) by Whelan 7/22/05

“Selling Drugs” (from The Economist) by Burney, 7/16-22/05

“Charges Against Teflon Don’t Stick” (from Spiked-Online/Washington Times) by Whelan, 7/4/05

“Demonizing soda may make advocates feel they are ‘doing something’ about obesity, but without a broader, more scientific approach, Americans will continue to suffer.”

MEMBERSHIP AND SUPPORT

Founded in 1978, the American Council on Science and Health (ACSH) is a nonprofit, tax exempt, 501(c)(3), organization under the IRS code. All contributions to ACSH are tax-deductible as permitted by law.

ACSH receives support from a large and diverse group of donors that include corporations, private foundations, associations, and individuals. Contributions to ACSH are accepted with a "no strings attached" policy — that is, contributors in no way exercise influence or authority over ACSH’s peer-review research process, or its independent scientific conclusions.

Over the past few years, ACSH’s Annual Fund Campaign has continued to spur the organization’s growth and development. This is particularly true during this fiscal period as ACSH, for the first time in its 28-year history, achieved a budget that exceeded $3 million.

ACSH Membership Clubs include:

- Associate ($100)
- Nader-Buster ($250)
- Partner-in-Science ($500)
- President’s Club ($1,000)
- Chairman’s Circle ($5,000)
- Leadership Council ($10,000)

Join any ACSH Club and receive complimentary copies of ACSH reports as they are released, plus special discounts on the purchase of previously released publications. Join with a contribution of $500 or more, and receive complimentary copies of all ACSH books, as they are released.

Additionally, new members of the Nader-Busters club receive our classic Holiday Dinner Menu. Become a Partner-in-Science and also receive

ACSH’s Facts versus Fears report. President’s Club members get all of the above plus the ACSH book America’s War on “Carcinogens”. Membership in the Chairman’s Circle entitles the donor to all of the above, plus invitations to ACSH events. Members of the Leadership Council enjoy all of the above plus special invitations to VIP receptions and opportunities to meet ACSH leadership.
INDEPENDENT AUDITORS' REPORT

McGRATH, DOYLE & PHAIR
CERTIFIED PUBLIC ACCOUNTANTS
150 BROADWAY
NEW YORK, NY 10038-4499
(212) 571-2300
FAX: (212) 365-0936

To the Board of Trustees
of American Council on Science and Health

We have audited the accompanying statements of financial position of the American Council on Science and Health (the "Council") as of June 30, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Council's 2005 financial statements and, in our report dated October 15, 2005, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Council on Science and Health as of June 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on Pages 19 to 22 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McGrath, Doyle & Phair
New York, NY
February 14, 2007
# Statements of Financial Position

<table>
<thead>
<tr>
<th>June 30,</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CURRENT ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,089,651</td>
<td>$321,551</td>
</tr>
<tr>
<td>Investments at fair value (Note 2)</td>
<td>1,912,709</td>
<td>1,519,935</td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>156,250</td>
<td>141,500</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>50,216</td>
<td>32,248</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>3,208,826</td>
<td>2,015,234</td>
</tr>
<tr>
<td>NONCURRENT ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent - security deposit</td>
<td>67,368</td>
<td>66,021</td>
</tr>
<tr>
<td><strong>Total noncurrent assets</strong></td>
<td>67,368</td>
<td>66,021</td>
</tr>
<tr>
<td><strong>FIXED ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computer equipment</td>
<td>120,561</td>
<td>137,801</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>3,091</td>
<td>3,091</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>123,652</td>
<td>140,892</td>
</tr>
<tr>
<td><strong>Total fixed assets</strong></td>
<td>56,797</td>
<td>54,150</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$3,343,049</td>
<td>$2,167,997</td>
</tr>
</tbody>
</table>

| **LIABILITIES AND NET ASSETS** |        |        |
| CURRENT LIABILITIES |        |        |
| Accounts payable and accrued expenses | $24,630 | $34,862 |
| **Total current liabilities** | $24,630 | $34,862 |
| NET ASSETS |        |        |
| Unrestricted | 3,249,815 | 1,849,499 |
| Temporarily restricted | 68,604 | 283,636 |
| **Total net assets** | 3,318,419 | 2,133,135 |
| **TOTAL LIABILITIES AND NET ASSETS** | $3,343,049 | $2,167,997 |

The accompanying notes are an integral part of the financial statements.
# Statements of Activities

Year ended June 30, 2006  
with summarized financial information for the year ended June 30, 2005

<table>
<thead>
<tr>
<th>SUPPORT AND REVENUE</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily Restricted</td>
</tr>
<tr>
<td>Contributions</td>
<td>$ 2,469,800</td>
<td>$ 158,500</td>
</tr>
<tr>
<td>Individual membership dues</td>
<td>65,499</td>
<td>65,499</td>
</tr>
<tr>
<td>Subscription income</td>
<td>259,530</td>
<td>259,530</td>
</tr>
<tr>
<td>Investment income</td>
<td>48,155</td>
<td>10,114</td>
</tr>
<tr>
<td>Realized gain (loss) on investments</td>
<td>82,183</td>
<td>(16,474)</td>
</tr>
<tr>
<td>Unrealized (loss) gain on investments</td>
<td>(46,152)</td>
<td>-</td>
</tr>
<tr>
<td>Net assets released from restrictions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction of program restrictions</td>
<td>135,431</td>
<td>(135,431)</td>
</tr>
<tr>
<td>Purchase of equipment</td>
<td>4,104</td>
<td>(4,104)</td>
</tr>
<tr>
<td><strong>Total support and revenue</strong></td>
<td><strong>3,018,550</strong></td>
<td><strong>12,605</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scientific and educational</td>
<td>1,385,877</td>
<td>1,385,877</td>
</tr>
<tr>
<td>Management and general</td>
<td>155,887</td>
<td>155,887</td>
</tr>
<tr>
<td>Fund raising and membership development</td>
<td>168,676</td>
<td>168,676</td>
</tr>
<tr>
<td>Program expenditures</td>
<td>135,431</td>
<td>135,431</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>1,845,871</strong></td>
<td>-</td>
</tr>
</tbody>
</table>

| Increase in net assets | 1,172,679 | 12,605 | 1,185,284 | 283,520 |
| Net transfers to unrestricted fund | 227,637 | (227,637) | - |
| Net assets as of beginning of year | 1,849,499 | 283,636 | 2,133,135 | 1,849,615 |

**NET ASSETS AS OF END OF YEAR**  
$3,249,815 | $68,604 | $3,318,419 | $2,133,135
## Statements of Cash Flows

<table>
<thead>
<tr>
<th>Description</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows from Operating Activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$1,185,284</td>
<td>$283,520</td>
</tr>
<tr>
<td><strong>Adjustments to reconcile change in net assets to net cash provided:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>25,798</td>
<td>26,243</td>
</tr>
<tr>
<td>Net realized and unrealized gain on investments</td>
<td>(19,557)</td>
<td>(22,645)</td>
</tr>
<tr>
<td><strong>Changes in operating assets and liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepaid expense</td>
<td>(17,968)</td>
<td>(7,136)</td>
</tr>
<tr>
<td>Security deposit</td>
<td>(1,347)</td>
<td>(1,317)</td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>(14,750)</td>
<td>(113,152)</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>(10,232)</td>
<td>5,465</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities:</strong></td>
<td>1,147,228</td>
<td>170,978</td>
</tr>
<tr>
<td><strong>Cash Flows from Investing Activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of investments</td>
<td>1,897,708</td>
<td>-</td>
</tr>
<tr>
<td>Purchase of investments</td>
<td>(2,270,924)</td>
<td>(45,720)</td>
</tr>
<tr>
<td>Purchase of equipment</td>
<td>(5,912)</td>
<td>(5,011)</td>
</tr>
<tr>
<td><strong>Net cash (used) in investing activities:</strong></td>
<td>(379,128)</td>
<td>(50,731)</td>
</tr>
<tr>
<td><strong>Net increase in cash and cash equivalents:</strong></td>
<td>768,100</td>
<td>120,247</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at beginning of year:</strong></td>
<td>321,551</td>
<td>201,304</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS AT END OF YEAR:</strong></td>
<td>$1,089,651</td>
<td>$321,551</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION
The American Council on Science and Health (the "Council") was organized on January 1, 1977 as an unincorporated association exempt from Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code. The Council is a consumer education consortium concerned with issues related to food, nutrition, chemicals, pharmaceuticals, lifestyle, the environment and health.

The financial statements of the Council have been prepared on an accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

FIXED ASSETS AND DEPRECIATION
Depreciation on fixed assets is calculated by the straight-line method using the cost of the assets and their estimated useful lives. Depreciation for the fiscal years ending June 30, 2006 and 2005 was $25,798 and $26,243, respectively.

Fully depreciated assets are written off against accumulated depreciation.

CASH EQUIVALENTS
The Council considers all highly liquid investments with a maturity of three months or less at date of purchase to be cash equivalents.

INVESTMENTS
Investments are carried at quoted market values at June 30, 2006 and 2005. Unrealized gains or losses are determined by comparison of cost to fair values.

PUBLICATIONS
Printing costs related to published reports are expensed in the year incurred. Any value attributable to published reports on hand at year-end is not reflected in these financial statements.

USE OF ESTIMATES
The Council's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and, accordingly, include amounts that are based on management’s best estimates and judgments.

NET ASSETS
Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Council and changes therein are classified and reported as follows:

Unrestricted net assets
Net assets that are free of donor-imposed stipulations.

Temporarily restricted net assets
Net assets that are subject to donor-imposed stipulations that will be met by actions of the Council.

2. A summary of the investments held by the Council as of June 30, is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Fair Value 2006</th>
<th>Cost 2006</th>
<th>Fair Value 2005</th>
<th>Cost 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fidelity Geneva Max Fund</td>
<td>$46,972</td>
<td>$46,972</td>
<td>$25,533</td>
<td>$25,533</td>
</tr>
<tr>
<td>T. Rowe Price Geneva Max Fund</td>
<td>-</td>
<td>-</td>
<td>328,976</td>
<td>328,976</td>
</tr>
<tr>
<td>Fidelity Mutual Funds</td>
<td>1,084,572</td>
<td>1,084,572</td>
<td>1,047,747</td>
<td>1,047,747</td>
</tr>
<tr>
<td>Bonds</td>
<td>773,691</td>
<td>773,691</td>
<td>80,180</td>
<td>80,180</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td>$1,912,709</td>
<td>$1,912,709</td>
<td>$1,919,939</td>
<td>$1,919,939</td>
</tr>
</tbody>
</table>

The Council routinely assesses the financial strength of its cash and portfolio investments and believes no significant concentration of risk exists.

3. CONTRIBUTIONS RECEIVABLE
Contributions receivable consist of the following:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>December</td>
<td>January</td>
</tr>
<tr>
<td></td>
<td></td>
<td>30</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$156,250</td>
<td>$141,500</td>
</tr>
</tbody>
</table>

4. The Council has established a pension plan under Section 403 (b) of the Internal Revenue Code for all eligible employees. Pension expense was $92,000 and $70,000 for 2006 and 2005 respectively.

5. The Council leases office space at 1995 Broadway, New York, New York. Under the terms of the lease, minimum annual lease payments are as follows:

<table>
<thead>
<tr>
<th>Term January 1, 2001 through December 31, 2005:</th>
<th>Annual rent - 2005</th>
<th>$ 197,104</th>
</tr>
</thead>
</table>

On March 3, 2005, certain modifications were made to the lease which became effective January 1, 2006, the modifications are as follows:

Term January 1, 2006 through April 30, 2016:

| Annual rent - January 1, 2006 to February 28, 2007 | $ 178,135 |
| March 1, 2007 to February 28, 2008                 | $ 182,153 |
| March 1, 2008 to March 31, 2009                    | $ 186,251 |
| April 1, 2009 to March 30, 2010                    | $ 190,442 |
| May 1, 2010 to April 30, 2011                      | $ 194,727 |
| May 1, 2011 to April 30, 2016                      | $1,113,715 |

In addition, the lease contains electricity and real estate tax escalation clauses.

Total rent expense for the years ending June 30, 2006 and 2005 were approximately $178,000 and $220,000 respectively.
# Schedule of Functional Expenses

**Year Ended June 30, 2006**

<table>
<thead>
<tr>
<th>Expense Category</th>
<th>Scientific and Educational</th>
<th>Management and General</th>
<th>Fund Raising</th>
<th>Total Unrestricted Funds</th>
<th>Total Restricted Funds</th>
<th>Total All Funds 2006</th>
<th>Total All Funds 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$823,170</td>
<td>$105,459</td>
<td>$83,311</td>
<td>$1,011,940</td>
<td>$44,156</td>
<td>$1,056,096</td>
<td>$1,021,377</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>48,036</td>
<td>6,153</td>
<td>4,861</td>
<td>59,050</td>
<td>2,577</td>
<td>61,627</td>
<td>59,512</td>
</tr>
<tr>
<td>Payroll service expense</td>
<td>1,436</td>
<td>184</td>
<td>145</td>
<td>1,785</td>
<td>77</td>
<td>1,842</td>
<td>1,782</td>
</tr>
<tr>
<td>Hospitalization, disability and workmen's compensation</td>
<td>39,996</td>
<td>5,124</td>
<td>4,047</td>
<td>49,147</td>
<td>2,145</td>
<td>51,312</td>
<td>72,009</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>2,647</td>
<td>326</td>
<td>258</td>
<td>3,131</td>
<td>137</td>
<td>3,268</td>
<td>3,187</td>
</tr>
<tr>
<td>Pension</td>
<td>71,709</td>
<td>9,187</td>
<td>7,258</td>
<td>86,154</td>
<td>3,846</td>
<td>92,000</td>
<td>70,000</td>
</tr>
<tr>
<td>Research costs</td>
<td>21,215</td>
<td>-</td>
<td>-</td>
<td>21,215</td>
<td>-</td>
<td>21,215</td>
<td>28,750</td>
</tr>
<tr>
<td>Office expense-independent contractors</td>
<td>818</td>
<td>105</td>
<td>83</td>
<td>1,006</td>
<td>44</td>
<td>1,050</td>
<td>2,180</td>
</tr>
<tr>
<td>Audit fees</td>
<td>9,981</td>
<td>1,256</td>
<td>992</td>
<td>12,049</td>
<td>526</td>
<td>12,575</td>
<td>14,028</td>
</tr>
<tr>
<td>Computer charges</td>
<td>8,655</td>
<td>1,135</td>
<td>896</td>
<td>10,686</td>
<td>475</td>
<td>11,361</td>
<td>9,577</td>
</tr>
<tr>
<td>Other professional fees</td>
<td>1,860</td>
<td>242</td>
<td>192</td>
<td>3,294</td>
<td>101</td>
<td>2,425</td>
<td>104,025</td>
</tr>
<tr>
<td>Insurance</td>
<td>9,550</td>
<td>1,223</td>
<td>967</td>
<td>11,740</td>
<td>512</td>
<td>12,252</td>
<td>12,166</td>
</tr>
<tr>
<td>Rent and electric</td>
<td>138,864</td>
<td>17,791</td>
<td>14,054</td>
<td>170,709</td>
<td>7,449</td>
<td>178,158</td>
<td>220,303</td>
</tr>
<tr>
<td>Stationery and office supplies</td>
<td>5,745</td>
<td>736</td>
<td>582</td>
<td>7,063</td>
<td>308</td>
<td>7,371</td>
<td>8,049</td>
</tr>
<tr>
<td>Office equipment rental and services</td>
<td>6,003</td>
<td>769</td>
<td>608</td>
<td>7,380</td>
<td>322</td>
<td>7,702</td>
<td>7,712</td>
</tr>
<tr>
<td>Postage, storage and freight</td>
<td>20,935</td>
<td>121</td>
<td>95</td>
<td>21,151</td>
<td>736</td>
<td>21,890</td>
<td>18,993</td>
</tr>
<tr>
<td>Research publications, etc.</td>
<td>4,415</td>
<td>566</td>
<td>447</td>
<td>5,428</td>
<td>237</td>
<td>5,665</td>
<td>3,890</td>
</tr>
<tr>
<td>Messenger service</td>
<td>1,612</td>
<td>207</td>
<td>163</td>
<td>1,982</td>
<td>153</td>
<td>2,135</td>
<td>2,079</td>
</tr>
<tr>
<td>Printing costs and photocopying</td>
<td>72,214</td>
<td>-</td>
<td>-</td>
<td>72,214</td>
<td>8,969</td>
<td>81,183</td>
<td>60,441</td>
</tr>
<tr>
<td>Board of Directors meeting expense</td>
<td>1,505</td>
<td>193</td>
<td>152</td>
<td>1,850</td>
<td>81</td>
<td>1,931</td>
<td>373</td>
</tr>
<tr>
<td>Telephone</td>
<td>6,733</td>
<td>863</td>
<td>681</td>
<td>8,277</td>
<td>361</td>
<td>8,638</td>
<td>8,275</td>
</tr>
<tr>
<td>Travel and promotion</td>
<td>2,069</td>
<td>265</td>
<td>210</td>
<td>2,544</td>
<td>8,075</td>
<td>10,619</td>
<td>12,113</td>
</tr>
<tr>
<td>Direct Mail Expenses</td>
<td>-</td>
<td>-</td>
<td>17,197</td>
<td>17,197</td>
<td>51,590</td>
<td>68,787</td>
<td>99,964</td>
</tr>
<tr>
<td>Conference Press and Convention</td>
<td>224</td>
<td>29</td>
<td>23</td>
<td>276</td>
<td>876</td>
<td>1,152</td>
<td>13,164</td>
</tr>
<tr>
<td>Annual Awards Dinner</td>
<td>10,520</td>
<td>-</td>
<td>-</td>
<td>10,520</td>
<td>-</td>
<td>10,520</td>
<td>-</td>
</tr>
<tr>
<td>Media Outreach Program</td>
<td>45,160</td>
<td>-</td>
<td>-</td>
<td>45,160</td>
<td>-</td>
<td>45,160</td>
<td>-</td>
</tr>
<tr>
<td>Fundraising expenses</td>
<td>-</td>
<td>28,331</td>
<td>28,331</td>
<td>28,331</td>
<td>-</td>
<td>28,331</td>
<td>-</td>
</tr>
<tr>
<td>Miscellaneous expenses</td>
<td>10,747</td>
<td>1,377</td>
<td>1,088</td>
<td>13,212</td>
<td>576</td>
<td>13,788</td>
<td>14,950</td>
</tr>
<tr>
<td><strong>Total expenses before depreciation</strong></td>
<td>1,365,789</td>
<td>153,311</td>
<td>166,641</td>
<td>1,685,721</td>
<td>134,352</td>
<td>1,820,073</td>
<td>1,869,061</td>
</tr>
<tr>
<td>Depreciation</td>
<td>20,108</td>
<td>2,576</td>
<td>2,035</td>
<td>24,719</td>
<td>1,079</td>
<td>25,798</td>
<td>26,243</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td><strong>$ 1,385,877</strong></td>
<td><strong>$ 155,887</strong></td>
<td><strong>$ 168,676</strong></td>
<td><strong>$ 1,710,440</strong></td>
<td><strong>$ 135,431</strong></td>
<td><strong>$ 1,845,871</strong></td>
<td><strong>$ 1,895,904</strong></td>
</tr>
</tbody>
</table>
## SCHEDULE OF FINANCIAL SUMMARY

### UNRESTRICTED NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(000) omitted</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funder</td>
<td>$2,470</td>
<td>$1,772</td>
<td>$1,183</td>
<td>$1,146</td>
<td>$1,393</td>
<td>$1,101</td>
</tr>
<tr>
<td>Membership and sales</td>
<td>325</td>
<td>76</td>
<td>81</td>
<td>51</td>
<td>53</td>
<td>32</td>
</tr>
<tr>
<td>Interest and miscellaneous</td>
<td>48</td>
<td>39</td>
<td>57</td>
<td>32</td>
<td>68</td>
<td>37</td>
</tr>
<tr>
<td>Realized gain on sale of investment</td>
<td>82</td>
<td>-</td>
<td>13</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unrealized (loss) gain on marketable investments</td>
<td>(48)</td>
<td>18</td>
<td>117</td>
<td>5</td>
<td>(171)</td>
<td>29</td>
</tr>
<tr>
<td>Total</td>
<td>2,879</td>
<td>1,905</td>
<td>1,451</td>
<td>1,234</td>
<td>1,343</td>
<td>1,199</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scientific and educational</td>
<td>1,386</td>
<td>1,186</td>
<td>1,235</td>
<td>1,187</td>
<td>1,139</td>
<td>892</td>
</tr>
<tr>
<td>Management and general</td>
<td>156</td>
<td>163</td>
<td>153</td>
<td>187</td>
<td>297</td>
<td>305</td>
</tr>
<tr>
<td>Fund raising and membership development</td>
<td>168</td>
<td>225</td>
<td>257</td>
<td>180</td>
<td>161</td>
<td>177</td>
</tr>
<tr>
<td>Total</td>
<td>1,710</td>
<td>1,574</td>
<td>1,645</td>
<td>1,554</td>
<td>1,597</td>
<td>1,374</td>
</tr>
<tr>
<td>Changes in net assets</td>
<td>1,169</td>
<td>331</td>
<td>(194)</td>
<td>(320)</td>
<td>(254)</td>
<td>(175)</td>
</tr>
<tr>
<td>Unrestricted net assets at beginning of year</td>
<td>1,849</td>
<td>1,502</td>
<td>1,448</td>
<td>1,776</td>
<td>2,052</td>
<td>2,293</td>
</tr>
<tr>
<td>Transfer from (to) restricted funds</td>
<td>232</td>
<td>16</td>
<td>248</td>
<td>(8)</td>
<td>(22)</td>
<td>(68)</td>
</tr>
<tr>
<td><strong>UNRESTRICTED NET ASSETS-END OF YEAR</strong></td>
<td>$3,250</td>
<td>$1,849</td>
<td>$1,502</td>
<td>$1,448</td>
<td>$1,776</td>
<td>$2,052</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$3,274</td>
<td>$1,884</td>
<td>$1,532</td>
<td>$1,498</td>
<td>$1,823</td>
<td>$2,094</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT LIABILITIES</strong></td>
<td>$24</td>
<td>$35</td>
<td>$30</td>
<td>$50</td>
<td>$47</td>
<td>$42</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.