

Consolidated Financial Statements
AMERICAN SEXUAL HEALTH ASSOCIATION
AND SUBSIDIARY
Year Ended June 30, 2019

Consolidated Financial Statements

AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY

Year Ended June 30, 2019

Independent Auditors’ Report 1

Consolidated Statement of Financial Position 3

Consolidated Statement of Activities 4

Consolidated Statement of Functional Expenses..... 5

Consolidated Statement of Cash Flows 6

Notes to Consolidated Financial Statements 7



Independent Auditors' Report

Board of Directors

American Sexual Health Association and Subsidiary

Research Triangle Park, North Carolina

We have audited the accompanying consolidated financial statements of American Sexual Health Association (a nonprofit organization) and subsidiary, which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Sexual Health Association and subsidiary as of June 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standard

As described in Note A to the consolidated financial statements, American Sexual Health Association and subsidiary adopted FASB Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Independent Auditors' Report--Continued

Other Matters

Report on Summarized Comparative Information

We have previously audited the 2018 consolidated financial statements of American Sexual Health Association and subsidiary and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated January 31, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Romeo, Wiggins & Company, L.L.P.

Raleigh, North Carolina
February 26, 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

American Sexual Health Association and Subsidiary

June 30, 2019

(With comparative totals as of June 30, 2018)

	2019	2018
ASSETS:		
Cash	\$ 528,367	\$ 357,806
Investments:		
General Fund	432,075	422,683
Endowment Fund	103,861	100,054
	<u>535,936</u>	<u>522,737</u>
Accounts receivable - contracts and grants	127,422	146,582
Accounts receivable - other	6,722	8,787
Inventory	6,202	900
Prepaid expenses	3,085	5,741
Property and equipment, net	<u>2,079</u>	<u>6,263</u>
TOTAL ASSETS	\$ <u>1,209,813</u>	\$ <u>1,048,816</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 44,219	\$ 26,863
Accrued payroll and related liabilities	55,384	60,948
Accrued vacation	34,922	35,209
Refundable advance	-	11,666
Deferred support	213,437	-
Total Liabilities	<u>347,962</u>	<u>134,686</u>
Net Assets:		
Without donor restrictions	361,752	452,721
With donor restrictions:		
Other than endowments	396,238	361,355
Held under endowments	103,861	100,054
	<u>500,099</u>	<u>461,409</u>
Total Net Assets	<u>861,851</u>	<u>914,130</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,209,813</u>	\$ <u>1,048,816</u>

See accompanying independent auditors' report and notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF ACTIVITIES

American Sexual Health Association and Subsidiary

Year Ended June 30, 2019

(With comparative totals for the year ended June 30, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE:				
Contracts and grants	\$ 983,420	\$ 694,261	\$ 1,677,681	\$ 1,823,716
Individual and business contributions	71,147	78,942	150,089	163,130
Sales of literature and educational materials	26,695		26,695	29,457
Interest and dividends, net of fees	8,258	735	8,993	3,883
Net change in fair value of investments	6,821	3,072	9,893	20,342
In-kind contributions	-		-	589
Other income	55,305		55,305	72,980
	<u>1,151,646</u>	<u>777,010</u>	<u>1,928,656</u>	<u>2,114,097</u>
Net assets released from restrictions	<u>738,320</u>	<u>(738,320)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>1,889,966</u>	<u>38,690</u>	<u>1,928,656</u>	<u>2,114,097</u>
EXPENSES:				
Program services:				
Health policy	252,884		252,884	234,052
Consumer communication/education	1,126,721		1,126,721	912,382
NCCC	187,514		187,514	185,815
Sexual health promotion	126,370		126,370	301,262
Total program services	<u>1,693,489</u>		<u>1,693,489</u>	<u>1,633,511</u>
Support services:				
Management and general	249,098		249,098	248,451
Development	38,348		38,348	38,415
Total support services	<u>287,446</u>		<u>287,446</u>	<u>286,866</u>
TOTAL EXPENSES	<u>1,980,935</u>	<u>-</u>	<u>1,980,935</u>	<u>1,920,377</u>
CHANGE IN NET ASSETS	<u>\$ (90,969)</u>	<u>\$ 38,690</u>	<u>\$ (52,279)</u>	<u>\$ 193,720</u>
Net assets, beginning of year	\$ 452,721	\$ 461,409	\$ 914,130	\$ 720,410
Change in net assets	<u>(90,969)</u>	<u>38,690</u>	<u>(52,279)</u>	<u>193,720</u>
NET ASSETS, END OF YEAR	<u>\$ 361,752</u>	<u>\$ 500,099</u>	<u>\$ 861,851</u>	<u>\$ 914,130</u>

See accompanying independent auditors' report and notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

American Sexual Health Association and Subsidiary

Year Ended June 30, 2019

(With comparative totals for the year ended June 30, 2018)

	2019								2018	
	Program Services					Support Services			Total Expenses	Total Expenses
	Health Policy	Consumer Communication/ Education	NCCC	Sexual Health Promotion	Total Program Services	Management and General	Development	Total Support Services		
Salaries and wages	\$ 169,016	\$ 590,454	\$ 73,397	\$ 61,248	\$ 894,115	\$ 62,034	\$ 21,198	\$ 83,232	\$ 977,347	\$ 881,784
Payroll taxes and fringe benefits	30,978	97,260	20,320	6,226	154,784	27,781	2,882	30,663	185,447	173,955
Professional services/consultants	25,388	191,584	27,873	41,390	286,235	99,368		99,368	385,603	354,262
Occupancy	10,686	83,354	10,686		104,726	7,323		7,323	112,049	75,559
Telephone/ internet	2,238	112,727	2,238		117,203	1,119		1,119	118,322	96,959
Printing and publications	209	6,266	794	93	7,362	29	329	358	7,720	11,065
Postage and shipping		2,097	424	258	2,779	517	561	1,078	3,857	7,005
Transportation and travel	9,485	6,553	8,280	6,867	31,185	7,092	1,166	8,258	39,443	84,140
Conferences and meetings	1,895	847	11,365	35	14,142	8,970		8,970	23,112	38,301
Sponsorships					-			-	-	50,000
Equipment rental and maintenance		10,491	1,422	247	12,160	69	890	959	13,119	17,819
Advertising	796	3,800	1,173	1,343	7,112			-	7,112	4,948
Insurance					-	13,223		13,223	13,223	12,971
Office supplies and expenses	559	9,441	402	799	11,201	2,155	639	2,794	13,995	19,243
Dues and reference materials	378	3,086	734	6,463	10,661	604	9,939	10,543	21,204	19,463
Interest expense					-	289		289	289	524
Other bank charges		3,621	4,218	102	7,941	5,021	744	5,765	13,706	7,743
Chapter expenses			18,665		18,665			-	18,665	42,508
Bad debt					-	3,799		3,799	3,799	-
Depreciation/amortization	406	3,169	406		3,981	203		203	4,184	8,623
Miscellaneous expense	850	1,971	5,117	1,299	9,237	9,502		9,502	18,739	13,505
TOTAL EXPENSES	\$ 252,884	\$ 1,126,721	\$ 187,514	\$ 126,370	\$ 1,693,489	\$ 249,098	\$ 38,348	\$ 287,446	\$ 1,980,935	\$ 1,920,377

See independent auditors' report and notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

American Sexual Health Association and Subsidiary

Year Ended June 30, 2019

(With comparative totals for the year ended June 30, 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (52,279)	\$ 193,720
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,184	8,623
Net change in fair value of investments	(9,893)	(20,342)
Changes in operating assets and liabilities:		
Accounts receivable - contracts and grants	19,160	105,964
Accounts receivable - other	2,065	(3,352)
Inventory	(5,302)	2,249
Prepaid expenses	2,656	207
Deferred lease buyout payoff	-	(2,274)
Accounts payable and accrued expenses	17,356	316
Accrued payroll and related liabilities	(5,564)	1,178
Accrued vacation	(287)	936
Deferred support	213,437	-
Refundable advance	(11,666)	11,666
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>173,867</u>	<u>298,891</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Transfers to investment portfolio	(153,306)	(11,046)
Distributions from investment portfolio	150,000	12,704
Purchases of property and equipment	-	(1,819)
NET CASH USED IN INVESTING ACTIVITIES	<u>(3,306)</u>	<u>(161)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET CHANGE IN CASH	170,561	298,730
CASH - BEGINNING OF YEAR	<u>357,806</u>	<u>59,076</u>
CASH - END OF YEAR	<u><u>\$ 528,367</u></u>	<u><u>\$ 357,806</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	\$ 289	\$ 524

See accompanying independent auditors' report and notes to consolidated financial statements.

AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY

Year Ended June 30, 2019

NOTE A -- THE REPORTING ENTITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Reporting Entities: American Sexual Health Association (ASHA/the Organization) is a not-for-profit corporation, organized under the laws of the State of North Carolina. ASHA promotes the sexual health of individuals, families and communities by advocating sound policies and practices and educating the public, professionals and policy makers, in order to foster healthy sexual behaviors and relationships and prevent adverse health outcomes. ASHA earns revenues by selling informational brochures and newsletters, receiving charitable donations, and servicing grant and contract agreements from other organizations that need call center and data collection services in accordance with ASHA's mission. ASHA is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and the applicable state tax statutes.

During fiscal 2012, National Cervical Cancer Coalition (NCCC, a California public benefit corporation) merged with ASHA and continues to operate as a program of ASHA.

Empatha, Inc. (Empatha) was incorporated in 2005 and is a wholly-owned subsidiary of ASHA. Empatha serviced a call center contract for fiscal 2015-2016, using ASHA facilities and employees. The call center contract was awarded to ASHA directly for fiscal 2017-2018 and 2018-2019. Empatha reported no activity for fiscal 2018-2019 and reported a stockholder's deficit of \$523,399 at June 30, 2019.

Affiliated Entity: The CEO/President of ASHA is a voting member of the Board of Directors of the American Sexually Transmitted Diseases Association (ASTDA). ASHA provides conference management and general management and support services to ASTDA. In fiscal 2018-2019, ASHA recognized revenue of \$19,970 and \$40,000 for management services provided in connection with the 2018 STD conference and the 2019 HIV Diagnostics Conference, respectively, and \$32,670 for general management and support services.

Program Services: ASHA's programs include the following:

Health Policy – ASHA's Washington office works to secure sound policy responses to sexual health issues including prevention, treatment, diagnostics and education through efforts with national organizations. ASHA opposes education initiatives that limit access to science-based education. ASHA's key relationships with colleague organizations, federal agencies and project-related corporate efforts support the sexual health of individuals, families and communities in order to foster healthy behaviors and relationships.

Consumer Communication/Education – ASHA operates a state-of-the-art call center providing compassionate, one-on-one services to thousands of individuals. ASHA's websites receive approximately 6 million visitors each year. The websites are the primary means of educating patients, partners, professionals and partner organizations throughout the United States. Each website is regularly updated to ensure accuracy and clear, non-biased information on sexual and reproductive health. ASHA responds to requests from media sources looking for clarification, quotes and more.

NCCC – HPV and cervical cancer education receive funding from corporations to support our volunteer chapter leaders around the country. The National Cervical Cancer Coalition (NCCC) works to educate people *community by community* and volunteers are at the heart of that effort. Our volunteer local chapter leaders—many of whom are cervical cancer survivors—are passionate about seeking out opportunities to educate people through health fairs, awareness walk/runs, and education and fundraising events. These individuals have demonstrated a true passion to help others and, as a result, thousands of people across the United States have benefitted from their efforts.

Sexual Health Promotion – ASHA works with partner organizations to educate the public and providers on a range of subjects both funded and unfunded. ASHA has set a goal of being a leader in sexual health and works with partner organizations, as well as the federal government, to achieve that goal.

AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY

NOTE A -- THE REPORTING ENTITIES AND SIGNIFICANT ACCOUNTING POLICIES--Continued

Basis of Accounting: The consolidated financial statements of ASHA and its subsidiary (Empatha) have been prepared on the accrual basis of accounting whereby income is recognized when earned and expenses are recognized when incurred. This basis of accounting conforms to U.S. generally accepted accounting principles. All significant inter-entity transactions and accounts have been eliminated in consolidation.

Adoption of New Accounting Standard: The accompanying financial statements have been prepared in accordance with FASB Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which was first effective for fiscal years beginning after December 15, 2017. The Organization is thereby required to report information regarding its financial position and activities according to the following net asset classes:

Net Assets Without Donor Restrictions: Net assets without donor restrictions are resources available to support the Organization's operations that are not subject to donor-imposed restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its formation documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets with Donor Restrictions: Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that require resources to be maintained in perpetuity. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions.

The Organization has implemented ASU 2016-14 retrospectively for all periods presented. The Organization is now required to report expenses by nature and function in one location in the financial statements, and to include both quantitative and qualitative disclosures with regard to the availability and liquidity of assets (as described in *Note B--Availability and Liquidity of Assets*).

Recognition of Support: Contributions (or grant awards) are recognized when the donor (or grantor) makes a promise to give to the Organization that is, in substance, unconditional. Contributions (or grant awards) that are restricted by the donor (or grantor) are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Deferred Support/Conditional Awards: Deferred support consists of amounts received under a conditional subaward prior to the incurrence of qualifying expenditures.

Recognition of Revenue: Revenue from exchange transactions is recognized in the period earned, as defined by contract, or upon delivery of goods or services to the consumer.

Cash Equivalents: The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. ASHA held no cash equivalents at June 30, 2019.

Investments: ASHA's investments at June 30, 2019, consist of funds held in agency with Triangle Community Foundation. The funds are invested in a non-endowed, equity-oriented portfolio (70% equities/30% fixed income). Investments are carried at fair value, as reported by Triangle Community Foundation. Refer also to *Note L--Subsequent Events*.

AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY

NOTE A -- THE REPORTING ENTITIES AND SIGNIFICANT ACCOUNTING POLICIES--Continued

Accounts Receivable: Accounts receivable consists of amounts due under contracts and grants. ASHA provides an allowance for doubtful accounts based on historical collection experience and a review of the current status of the existing receivables. Management deems all accounts receivable to be fully collectible; therefore, no allowance is provided at June 30, 2019. Receivables are unsecured and are expected to be collected within a year.

Inventory: Inventory includes brochures and educational materials, and is stated at lower of cost (first-in, first-out method) or market. ASHA's management periodically reviews the value of items in inventory and provides write-downs or write-offs of inventory based on its assessment of market conditions. The Organization made no inventory write-offs in fiscal 2018-2019.

Property and Equipment: All acquisitions of property and equipment in excess of \$1,000 and expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Donated Goods and Services: Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization. Volunteer services are not recorded in the consolidated financial statements because the criteria for recognition have not been satisfied.

Fair Value of Financial Instruments: The carrying values of accounts receivable, accounts payable and accrued liabilities approximate the fair values of such due to the short-term maturity of these financial instruments at June 30, 2019. Investments are recorded at fair value, as reported by Triangle Community Foundation. Refer also to *Note J--Fair Value Measurements*.

Functional Expenses: The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification. Certain indirect expenses are allocated to programs based on estimated usage and/or benefit.

Use of Estimates: The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from these estimates.

Income Taxes: ASHA is an exempt organization under Section 501(c)(3) of the Internal Revenue Code, and is classified as other than a private foundation. It is also exempt from North Carolina income and franchise taxes under the North Carolina Non-Profit Corporation Act.

Income taxes for Empatha are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of assets and liabilities and their respective tax basis, operating loss carryforwards, and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided for deferred taxes if it is uncertain as to future realization of these benefits.

AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY

NOTE A -- THE REPORTING ENTITIES AND SIGNIFICANT ACCOUNTING POLICIES--Continued

Summarized Comparative Information: The consolidated financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements as of and for the year ended June 30, 2018, from which the summarized information was derived.

Reclassifications: Certain reclassifications were made to the prior year summarized comparative information to conform to the presentation for fiscal 2018-2019.

Future Pronouncements: In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU are intended to assist entities (1) in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and (2) in determining whether a contribution is conditional. The standard will be effective for the resource recipient in fiscal years beginning after December 15, 2018, and for the resource provider in fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of this ASU on future financial statements.

NOTE B -- AVAILABILITY AND LIQUIDITY OF ASSETS

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of donor-imposed restrictions:

	<u>2019</u>
Financial assets at June 30 (cash, investments, and receivables)	\$ 1,198,447
Less those unavailable for general expenditures within one year, due to:	
Net assets with donor restrictions:	
Other than endowments	(396,238)
Held under endowments	(103,861)
Deferred support/advances on conditional award	<u>(213,437)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>484,911</u>

The majority of non-endowed net assets with donor restrictions are expected to be funded and expended within one year in connection with the Organization's ongoing programs.

NOTE C -- SIGNIFICANT CONCENTRATIONS (including subsequent events)

Support Risk (including subsequent events): Approximately 40% of ASHA's total support and revenue for the year ended June 30, 2019, was derived from a call center contract with a nonprofit agency. The contract expired December 31, 2019; however, ASHA continues to provide call center services based on the contracting agency's expressed intent (on February 25, 2020) to renew the contract through December 31, 2020.

Credit Risk: Financial instruments that subject the Organization to the potential concentration of credit risk consist primarily of cash deposits, investments, and accounts receivable. The Organization maintains its cash deposits with a financial institution, with deposits generally eligible for up to \$250,000 of FDIC insurance coverage. At June 30, 2019, the Organization's bank deposits exceeded federally insured limits by approximately \$445,000 though the Organization has incurred no loss as a result of such.

AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY

NOTE C -- SIGNIFICANT CONCENTRATIONS (including subsequent events)--Continued

Credit Risk--Continued: In July 2011, the Organization placed \$500,000 in agency with Triangle Community Foundation (TCF), including \$400,000 of operating reserves and \$100,000 of donor-restricted endowment assets. At June 30, 2019, funds totaling \$535,936 are invested in TCF's non-endowed, equity-oriented portfolio (70% equity/30% fixed income). These investments are not eligible for FDIC coverage, but may be eligible for SIPC protection of up to \$500,000. SIPC protection does not ensure the quality of investments or protect against losses from changing market values.

At June 30, 2019, approximately 88% of *accounts receivable -- contracts and grants* is due under the significant contract referenced in *Support Risk* above.

NOTE D -- PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2019:

Other equipment	\$ 10,894
CPU server	<u>30,181</u>
	41,075
Less: Accumulated depreciation and amortization	<u>(38,996)</u>
	<u>\$ 2,079</u>

NOTE E -- NET ASSETS WITH DONOR RESTRICTIONS, OTHER THAN ENDOWMENTS

Net assets with donor restrictions, other than endowments, were released from donor restriction by incurring expenses satisfying the restricted purposes or by occurrence of other events as specified by donors as follows for the year ended June 30, 2019:

Health policy	\$ 229,250
Consumer communication/education	83,500
NCCC	169,070
Sexual health promotion	<u>256,500</u>
	<u>\$ 738,320</u>

Net assets with donor restrictions, other than endowments, are available for the following purposes at June 30, 2019:

Health Policy	\$ 53,750
Consumer Communication/Education	125,000
NCCC	192,488
Sexual Health Promotion	<u>25,000</u>
	<u>\$ 396,238</u>

AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY**NOTE F -- NET ASSETS WITH DONOR RESTRICTIONS, HELD UNDER ENDOWMENTS**

Net assets with donor restrictions, held under endowments, are comprised of endowment funds that are restricted by donors to investment in perpetuity, with the net earnings thereon available for ASHA's general use.

In July 2011, ASHA placed its endowment funds in agency with Triangle Community Foundation (TCF), directing the funds be invested in a non-endowed, equity-oriented portfolio (70% equities/30% fixed income). This is consistent with the Organization's objectives to provide income for its general use and to preserve endowment assets without subjecting them to substantial risk. Earnings on endowment funds are considered appropriated for ASHA's general use when distributed in accordance with TCF's spending policies.

The composition of endowment net assets by fund type is as follows at June 30, 2019:

	Subject to <u>Approp'n</u>	Subject to Investment <u>in Perpetuity</u>	<u>Total</u>
Donor-restricted endowment funds	\$ <u>3,861</u>	\$ <u>100,000</u>	\$ <u>103,861</u>

Changes in endowment net assets for the year ended June 30, 2019, are as follows:

	Subject to <u>Approp'n</u>	Subject to Investment <u>in Perpetuity</u>	<u>Total</u>
Endowment net assets, June 30, 2018	\$ 54	\$ 100,000	\$ 100,054
Contributions	-	-	-
Investment return:			
Interest/dividend income, net*	735	-	735
Net change in fair value	<u>3,072</u>	<u>-</u>	<u>3,072</u>
Total investment return	3,807	-	3,807
Appropriated for expenditure	-	-	-
Endowment net assets, June 30, 2019	\$ <u>3,861</u>	\$ <u>100,000</u>	\$ <u>103,861</u>

*Net administrative fees of \$1,002

FASB ASC 958-205 provides guidance on the net asset classification of board-designated and donor-restricted endowment funds held by nonprofit organizations, subject to an enacted version of UPMIFA (the *Uniform Prudent Management Institutional Funds Act*). The Organization holds only donor-restricted endowment funds. Therefore, unless stated otherwise in the gift instrument, assets held under endowments are considered donor-restricted assets until appropriated for expenditure by the Organization. Endowment net assets are disaggregated further by the Organization as to which amounts are subject to appropriation by ASHA or to investment in perpetuity. The Organization considers the following to be subject to investment in perpetuity: (1) the original value of gifts donated to endowments, (2) the original value of subsequent gifts to endowments, and (3) accumulations to endowments made in accordance with the direction of the applicable donor gift instruments. Net investment income is considered available for appropriation unless otherwise directed by the gift instrument.

Notes to Consolidated Financial Statements--Continued

AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY

NOTE G -- LEASE COMMITMENTS

Operating Leases: The Organization leases its primary office space under an operating lease. The lease was amended effective January 15, 2018, to allow the Organization to move into a larger space within the building. The sixty-one-month lease expires in February 2023. Rent expense (including TICAM) approximated \$103,079 for the year ended June 30, 2019. The Organization also leases a copier under an operating lease that expires in August 2020. Lease expense approximated \$12,564 for the year ended June 30, 2019.

Future minimum rentals (excluding TICAM) required under these operating leases, are as follows:

<u>Years Ending June 30,</u>	
2020	\$ 118,736
2021	111,451
2022	112,638
2023	71,813
Thereafter	-
	<u>\$ 414,638</u>

NOTE H -- RETIREMENT PLAN

The Organization has established a 401(k)-retirement plan for its employees. Eligible employees may contribute a portion of their earnings each year, not to exceed the maximum allowed by the Internal Revenue Service. For the year ended June 30, 2019, ASHA contributed a Safe Harbor match on each eligible employee's deferrals up to 5% of the participant's compensation. Employer Safe Harbor matching contributions approximated \$28,767 for fiscal 2018-2019. The plan also provides for discretionary matching contributions, as well as discretionary non-elective contributions; however, no discretionary contributions were made for fiscal 2018-2019.

NOTE I -- INCOME TAXES (EMPATHA)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets are as follows at June 30, 2019:

Deferred tax asset:	
Net operating loss:	
Federal	\$ 109,914
State	<u>15,702</u>
	125,616
Valuation allowance	<u>(125,616)</u>
Net deferred tax asset	<u>\$ -</u>

Empatha has \$523,000 in net operating loss carryforwards that will begin to expire in the year ending June 30, 2026, for federal purposes and June 30, 2021, for state purposes.

AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY

NOTE J -- FAIR VALUE MEASUREMENTS

The Organization applies generally accepted accounting principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; and Level 3 inputs have the lowest priority.

The following represents assets measured at fair value on a recurring basis by the Organization at June 30, 2019:

		Quoted Prices in Active Markets for <u>Identical Assets</u>	Significant Other Observable <u>Inputs</u>	Significant Unobservable <u>Inputs</u>
<u>June 30, 2019</u>	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Investments	\$ <u>535,936</u>	\$ <u>535,936</u>	\$ <u>-</u>	\$ <u>-</u>

Level 1: Investments are held in a non-endowed, equity-oriented portfolio (70% equities/30% fixed income) with Triangle Community Foundation (TCF) and are carried at fair value, as reported by TCF. These investments are not restricted to annual spending limits and are held primarily in publicly traded securities. Fair values of equities and fixed income securities listed on national exchanges are valued at the last sales price, or if there is no sale and the market is considered active, at the mean of the last bid and asked prices on such exchange. Such securities are classified within Level 1 of the fair value hierarchy.

The Organization reports transfers between levels of the fair value hierarchy, if any, at the end of the reporting period. There were no such transfers at June 30, 2019.

As of June 30, 2019, the Organization has no assets or liabilities classified within Level 2 or Level 3 of the fair value hierarchy.

NOTE K -- COMMITMENTS AND CONTINGENCIES

Financial assistance from various awarding agencies is subject to special audit. Such audits could result in claims against the Organization for disallowable costs or noncompliance with grantor restrictions. Management is aware of no costs that may be disallowed or instances of noncompliance with grantor restrictions that could result in such claims. Consequently, no provision has been made for liabilities, if any, that may arise from future audits.

NOTE L -- SUBSEQUENT EVENTS (unless otherwise disclosed herein)

On January 29, 2020, ASHA received proceeds of \$497,758 from the sale of certain investments held by Triangle Community Foundation. On February 5, 2020, funds of \$497,758 were disbursed to Charles Schwab to be invested in socially responsible F.L. Putnam Funds.

Management has evaluated subsequent events through February 26, 2020, the date on which financial statements were available for issue.