

**Consolidated Financial Statements
and Supplementary Information**

**AMERICAN SEXUAL HEALTH ASSOCIATION
AND SUBSIDIARY**

Year Ended June 30, 2013

Consolidated Financial Statements and Supplementary Information

AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY

Year Ended June 30, 2013

Consolidated Financial Statements

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Joseph L. Hill, Jr.

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 and Subsidiary (collectively, "the Organization"), which comprise the consolidated statement of financial position as of June 30, 2013, 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 entities' 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 entities' 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, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditors' Report--Continued

Other Matters

Report on Summarized Comparative Information

We have previously audited the Organization's 2012 consolidated financial statements, and our report dated November 8, 2012, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements of financial position and activities are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

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

Raleigh, North Carolina
November 1, 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

American Sexual Health Association and Subsidiary

June 30, 2013

(With comparative totals as of June 30, 2012)

	<u>2013</u>	<u>2012</u>
ASSETS:		
Cash and cash equivalents	\$ 65,077	\$ 279,906
Cash held in agency	856	41,730
Investments:		
General Fund	268,909	391,457
Endowment Fund	<u>98,659</u>	<u>97,897</u>
	367,568	489,354
Accounts receivable - contracts and grants	259,583	68,559
Accounts receivable - other	7,121	4,465
Inventory	40,038	39,020
Prepaid expenses	5,004	7,475
Property and equipment, net	<u>34,796</u>	<u>48,340</u>
TOTAL ASSETS	<u>\$ 780,043</u>	<u>\$ 978,849</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 21,730	\$ 55,188
Cash held in agency	856	41,730
Accrued payroll and related liabilities	30,670	30,658
Accrued vacation	35,121	33,824
Capital lease obligation	<u>15,582</u>	<u>38,331</u>
Total Liabilities	103,959	199,731
Net Assets:		
Unrestricted	550,414	567,387
Temporarily restricted	25,670	111,731
Permanently restricted	<u>100,000</u>	<u>100,000</u>
Total Net Assets	<u>676,084</u>	<u>779,118</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 780,043</u>	<u>\$ 978,849</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, 2013

(With comparative totals for the year ended June 30, 2012)

	2013			2012	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
SUPPORT AND REVENUE:					
Contracts and grants	\$ 870,869	\$ 381,354	\$	\$ 1,252,223	\$ 1,070,207
Individual and business contributions	140,158	28,256		168,414	151,896
Sales of literature and educational materials	100,130			100,130	93,693
Interest and dividends, net of fees	1,440	289		1,729	3,018
Net realized gain on sales of investments	33,212	8,243		41,455	7,580
Net unrealized gain (loss) on investments	4,492	(532)		3,960	40,856
Other income	12,781			12,781	15,365
	<u>1,163,082</u>	<u>417,610</u>	<u>0</u>	<u>1,580,692</u>	<u>1,382,615</u>
Net assets released from restrictions	<u>503,671</u>	<u>(503,671)</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL SUPPORT AND REVENUE	<u>1,666,753</u>	<u>(86,061)</u>	<u>0</u>	<u>1,580,692</u>	<u>1,382,615</u>
EXPENSES:					
Program services:					
Health policy	338,584			338,584	357,559
Consumer communication	<u>1,029,595</u>			<u>1,029,595</u>	<u>884,182</u>
Total program services	<u>1,368,179</u>			<u>1,368,179</u>	<u>1,241,741</u>
Support services:					
General and administrative	265,433			265,433	247,523
Development	<u>50,114</u>			<u>50,114</u>	<u>46,260</u>
Total support services	<u>315,547</u>			<u>315,547</u>	<u>293,783</u>
TOTAL EXPENSES	<u>1,683,726</u>	<u>0</u>	<u>0</u>	<u>1,683,726</u>	<u>1,535,524</u>
CHANGE IN NET ASSETS	<u>\$ (16,973)</u>	<u>\$ (86,061)</u>	<u>\$ 0</u>	<u>\$ (103,034)</u>	<u>\$ (152,909)</u>
Net assets, beginning of year	\$ 567,387	\$ 111,731	\$ 100,000	\$ 779,118	\$ 905,456
Increase in net assets upon merger of NCCC				0	26,571
Change in net assets	<u>(16,973)</u>	<u>(86,061)</u>	<u>0</u>	<u>(103,034)</u>	<u>(152,909)</u>
NET ASSETS, END OF YEAR	<u>\$ 550,414</u>	<u>\$ 25,670</u>	<u>\$ 100,000</u>	<u>\$ 676,084</u>	<u>\$ 779,118</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, 2013

(With comparative totals for the year ended June 30, 2012)

	2013						2012
	Program Services			Support Services		Total	Total
	Health Policy	Consumer Communication	Total Program Services	Management and General	Development	Services	Expenses
Salaries and wages	\$ 135,290	\$ 501,827	\$ 637,117	\$ 77,649	\$ 22,446	\$ 100,095	\$ 737,212
Payroll taxes and fringe benefits	37,531	79,211	116,742	42,794	3,490	46,284	163,026
Professional services/consultants	110,844	110,441	221,285	10,423	2,201	12,624	233,909
Accounting and audit fees		865	865	67,625		67,625	68,490
Occupancy	11,717	114,116	125,833	13,556	5,416	18,972	144,805
Telephone/internet	6,587	64,634	71,221	6,596	3,032	9,628	80,849
Printing and publications	115	38,185	38,300	814	1,979	2,793	41,093
Postage and shipping	67	7,779	7,846	288	2,164	2,452	10,298
Transportation and travel	23,064	19,155	42,219	9,222	629	9,851	52,070
Conferences and meetings	7,987	24,500	32,487	12	55	67	32,554
Equipment rental and maintenance	1,125	4,841	5,966	2,392	14	2,406	8,372
Insurance			0	14,225		14,225	14,404
Office supplies and expenses	819	5,190	6,009	2,166		4,201	10,210
Dues and reference materials	407	4,389	4,796	1,767	2,035	7,762	12,558
Interest expense			0	909		909	909
Other bank charges		0	0	5,303	137	5,440	5,440
Chapter expenses		37,936	37,936			0	37,936
Depreciation	521	8,335	8,856	4,167	521	4,688	13,544
Miscellaneous	2,510	8,191	10,701	5,525		5,525	16,226
TOTAL EXPENSES	\$ 338,584	\$ 1,029,595	\$ 1,368,179	\$ 265,433	\$ 50,114	\$ 315,547	\$ 1,683,726
							\$ 1,535,524

CONSOLIDATED STATEMENT OF CASH FLOWS

American Sexual Health Association and Subsidiary

Year Ended June 30, 2013

(With comparative totals for the year ended June 30, 2012)

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (103,034)	\$ (152,909)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	13,544	17,028
Net (gain) on sales of investments	(41,455)	(7,580)
Net unrealized (gain) on investments	(3,960)	(40,856)
Net assets transferred upon merger of NCCC	0	26,571
Changes in operating assets and liabilities:		
Accounts receivable - contracts and grants	(191,024)	169,887
Accounts receivable - other	(2,656)	3,851
Inventory	(1,018)	6,485
Prepaid expenses	2,471	1,688
Accounts payable and accrued expenses	(33,459)	(28,073)
Deferred revenue	0	(7,725)
Accrued payroll and related liabilities	12	(29,957)
Accrued vacation	1,297	5,432
NET CASH USED IN OPERATING ACTIVITIES	<u>(359,282)</u>	<u>(36,158)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments, including reinvestments	(1,298)	(503,018)
Distributions from investment portfolio	168,500	62,100
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>167,202</u>	<u>(440,918)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital lease obligations	(22,749)	(22,023)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(214,829)	(499,099)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>279,906</u>	<u>779,005</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 65,077</u>	<u>\$ 279,906</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	\$ 909	\$ 1,635
NONCASH INVESTING AND FINANCING ACTIVITIES		
Cash held in agency:		
Receipts	\$ 15,327	\$ 384,486
Disbursements	(56,201)	(344,142)
Net change	<u>\$ (40,874)</u>	<u>\$ 40,344</u>

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

Notes to Consolidated Financial Statements

AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY

Year Ended June 30, 2013

NOTE A -- THE REPORTING ENTITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Reporting Entities: American Sexual Health Association (ASHA) is a not-for-profit corporation, organized under the laws of the State of North Carolina. ASHA's mission is to improve the health of individuals, families, and communities, with an emphasis on sexual health and a focus on preventing sexually transmitted diseases and their consequences. 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 is now operating 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 in fiscal 2012-2013, using ASHA facilities and employees. ASHA charged Empatha \$139,343 for direct expenses and \$19,891 for management and support services provided.

Basis of Accounting: The consolidated financial statements of ASHA and its subsidiary (collectively, "the Organization") have been prepared on the accrual basis of accounting. All significant inter-entity transactions and accounts have been eliminated in consolidation.

Display of Net Assets by Class: The consolidated financial statements have been prepared in conformity with the disclosure and display requirements of the Financial Accounting Standards Board (FASB) as set forth in FASB ASC 958-205, 210, 225. Under FASB ASC 958-205, 210, 225, ASHA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. Temporarily restricted net assets are restricted as to time or purpose as designated by the donor. All net assets other than those subject to temporary or permanent donor-imposed restrictions, including Board-designated or appropriated amounts, are legally unrestricted and are reported as part of the unrestricted class.

Cash Equivalents: The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Refer also to *Note I--Fair Value Measurements*.

Cash Held in Agency: ASHA periodically acts as fiscal agent for conference sponsors, agreeing to process receipts and disbursements for a contractual administrative fee. Amounts held on behalf of others represent current obligations of ASHA. Receipts and disbursements processed in agency are excluded from revenue and expenses recognized by ASHA, but are summarized in the consolidated statement of cash flows. ASHA was paid \$7,500 by ASTDA for services provided in connection with the upcoming 2014 conference. ASHA also received \$20,268 for other support services provided to ASTDA. The CEO/President of ASHA is a nonvoting, ex-officio member of ASTDA's Board of Directors.

Investments: ASHA's investments at June 30, 2013 consist of funds held in agency with Triangle Community Foundation. The funds are invested in growth-oriented portfolio (70% equities/30% fixed). Investments are carried at fair value based on quoted market prices (as reported by Triangle Community Foundation). The components of investment income are presented separately in the accompanying statement of activities. Interest and dividends are reported net of administrative fees of \$4,968. Refer also to *Note E--Permanently Restricted / Endowments Net Assets* and *Note I--Fair Value Measurements*.

AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY

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

Recognition of Support and Revenue: Unconditional promises to give are recognized as support or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Support is reported as an increase in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Revenue from exchange transactions is recognized in the period earned as defined by contract.

Accounts Receivable: Accounts receivable consists of amounts due under contracts and grants. The Organization 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, 2013. 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.

Property and Equipment: All acquisitions of property and equipment in excess of \$500 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 cash equivalents, accounts receivable, accounts payable and accrued liabilities are considered to approximate the fair value of such at June 30, 2013, based on the short-term maturity of these financial instruments. Refer also to *Note I--Fair Value Measurements*.

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.

Information (income tax) returns filed for fiscal years subsequent to June 30, 2009 remain open and subject to examination.

AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY

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

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.

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, 2012, from which the summarized information was derived.

NOTE B -- SIGNIFICANT CONCENTRATIONS

Support Risk: Approximately 79% of the Organization's contract revenues and grant support for the year ended June 30, 2013, was derived from contracts and grants with a nonprofit organization and two corporations in the healthcare field. These relationships tend to be ongoing and management feels revenues and support from these sources will continue to be significant through at least fiscal 2013-2014.

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, 2013, the Organization's bank deposits were within federally insured limits.

In July 2011, the Organization placed \$500,000 in agency with Triangle Community Foundation, including \$400,000 of operating reserves and \$100,000 of endowment assets. The funds are invested in a growth-oriented portfolio (70% equity/30% fixed). These investments are not eligible for FDIC coverage, but may be eligible for SIPC protection of up to \$500,000. SIPC protection does not insure the quality of investments or protect against losses from changing market values.

At June 30, 2013, approximately 63% of the Organization's accounts receivable is derived from contracts and grants referenced as a significant source of support in *Support Risk* above.

NOTE C -- PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2013:

Furniture and equipment	\$ 257,933
Leasehold improvements	38,258
Capital lease	<u>67,720</u>
	363,911
Less: Accumulated depreciation and amortization	<u>(329,115)</u>
	\$ <u>34,796</u>

Notes to Consolidated Financial Statements--Continued

AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY

NOTE D -- TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets 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, 2013:

Health Policy	\$ 419,732
Consumer Communication	75,939
Appropriation of endowment earnings	<u>8,000</u>
	\$ <u>503,671</u>

Temporarily restricted net assets are available for the following purposes at June 30, 2013:

Consumer Communication	\$ <u>25,670</u>
	\$ <u>25,670</u>

NOTE E -- PERMANENTLY RESTRICTED / ENDOWMENT NET ASSETS

Permanently restricted net assets 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, directing the funds be invested in a growth-oriented portfolio (70% equities/30% fixed). 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 in the fiscal year earned. Endowment funds were previously invested in a money market account.

The composition of endowment net assets by fund type is as follows at June 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (1,341)	\$ 0	\$ 100,000	\$ 98,659
Board-designated endowment funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total funds, at June 30, 2013	\$ <u>(1,341)</u>	\$ <u>0</u>	\$ <u>100,000</u>	\$ <u>98,659</u>

Notes to Consolidated Financial Statements--Continued

AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY

NOTE E -- PERMANENTLY RESTRICTED / ENDOWMENT NET ASSETS--Continued

Changes in endowment net assets for the year ended June 30, 2013, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2012	\$ <u>(2,103)</u>	\$ <u>0</u>	\$ <u>100,000</u>	\$ <u>97,897</u>
Investment return:				
Interest/dividend income, net*	0	289	0	289
Net change in fair value	<u>762</u>	<u>7,711</u>	<u>0</u>	<u>8,473</u>
Total investment return	762	8,000	0	8,762
Contributions	0	0	0	0
Appropriation for expenditure	<u>0</u>	<u>(8,000)</u>	<u>0</u>	<u>(8,000)</u>
Endowment net assets, June 30, 2013	\$ <u>(1,341)</u>	\$ <u>0</u>	\$ <u>100,000</u>	\$ <u>98,659</u>

*Net administrative fees of \$1,021

Regulations/Standards Governing Endowment Funds: In March 2009, the State of North Carolina enacted the State Prudent Management of Institutional Funds Act (SPMIFA), a version of the Uniform Prudent Management Institutional Funds Act (UPMIFA), applicable to endowment funds existing on or established after the Act's effective date. SPMIFA eliminates the historic dollar concept of UMIFA (the governing law in North Carolina prior to March 2009) in favor of the "prudent spending" concept as pertains to endowment net assets. ASHA has interpreted SPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds, absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies as permanently restricted net assets (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. The remaining portions of donor-restricted endowment funds that are not classified as permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

Notes to Consolidated Financial Statements--Continued

AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY

NOTE F -- LEASE COMMITMENTS

Operating Lease: The Organization leases its primary office space under an operating lease expiring in June 2015. Monthly rentals of \$10,243 were required effective July 1, 2008, with monthly payments escalating approximately 2.5% annually each July 1st. The lease also requires the Organization to pay a share of common area maintenance expenses based on the square footage of its offices to the total square footage of the building. Rent expense (including TICAM) approximated \$142,900 for the year ended June 30, 2013.

Future minimum rentals (excluding TICAM) required under the lease are as follows at June 30, 2013:

<u>Years Ending June 30,</u>	
2014	\$ 139,000
2015	142,600
Thereafter	<u>0</u>
	<u>\$ 281,600</u>

Capital Lease: The Organization financed the purchase of a phone system by obtaining a capital lease in fiscal 2010-2011. Future minimum lease payments under the capital lease are as follows at June 30, 2013:

<u>Years Ending June 30,</u>	
2014	\$ 15,772
Thereafter	<u>0</u>
	15,772
Less: Amounts representing interest	<u>(190)</u>
	<u>\$ 15,582</u>

The asset held under the capital lease is being amortized over five years and is included in net property and equipment at June 30, 2013 as follows:

Asset held under capital lease	\$ 67,720
Less: Accumulated amortization	<u>(33,672)</u>
	<u>\$ 34,048</u>

NOTE G -- 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, 2013, ASHA contributed a Safe Harbor match on each eligible employee's deferrals that did not exceed 5% of the participant's compensation. Employer Safe Harbor matching contributions approximated \$20,000 for fiscal 2012-2013. ASHA and Empatha may make discretionary matching contributions, as well as discretionary non-elective contributions; however, no discretionary contributions were made for fiscal 2012-2013.

Notes to Consolidated Financial Statements--Continued

AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY

NOTE H -- 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, 2013:

Deferred tax asset:	\$	0
Net operating loss:		
Federal		159,071
State		<u>32,282</u>
		191,353
Valuation allowance		<u>(191,353)</u>
Net deferred tax asset	\$	<u>0</u>

Empatha has \$468,000 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.

NOTE I -- 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, 2013:

		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
<u>June 30, 2013</u>	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Cash equivalents	\$ 49,522	\$ 49,522	\$ 0	\$ 0
Investments	<u>367,568</u>	<u>367,568</u>	<u>0</u>	<u>0</u>
	\$ <u>417,090</u>	\$ <u>417,090</u>	\$ <u>0</u>	\$ <u>0</u>

Level 1: Cash equivalents consist of amounts held in money market accounts. Investments are held in a growth-oriented portfolio (70% equities/30% fixed) with Triangle Community Foundation and are carried at fair value based on quoted market prices (as provided by Triangle Community Foundation).

As of June 30, 2013, the Organization has no assets or liabilities classified within Level 2 or Level 3 of the fair value hierarchy.

Notes to Consolidated Financial Statements--Continued

AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY

NOTE J -- 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 has responded to certain inquiries concerning fringe benefits charged to a government contract in previous years. This inquiry has not yet been resolved. However, management believes the holdback under the contract adequately provides for any costs that may be deemed disallowable. Management is aware of no other costs that may be disallowed or instances of noncompliance with grantor restrictions. Consequently, no provision has been made for liabilities, if any, that may arise from the inquiry cited or from future audits that may arise.

NOTE K -- SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 1, 2013, the date on which financial statements were available for issue. Subsequent events requiring disclosure are disclosed herein.

SUPPLEMENTARY INFORMATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

American Sexual Health Association and Subsidiary

June 30, 2013

	ASHA	Empatha	Elimination Entries	Consolidated Totals
Assets:				
Cash and cash equivalents	\$ 65,077	\$	\$	\$ 65,077
Cash held in agency	856			856
Investments	367,568			367,568
Accounts receivable, contracts and grants	259,583			259,583
Accounts receivable, other	7,121			7,121
Due from subsidiary/parent	739,845	271,988	(1,011,833)	0
Investment in subsidiary	(467,857)		467,857	0
Inventory	40,038			40,038
Prepaid expenses	5,004			5,004
Property and equipment, net	34,796			34,796
TOTAL ASSETS	\$ 1,052,031	\$ 271,988	\$ (543,976)	\$ 780,043
Liabilities and Net Assets/Stockholder's Deficit:				
Accounts payable and accrued expenses	\$ 21,730	\$	\$	\$ 21,730
Due to subsidiary/parent	271,988	739,845	(1,011,833)	0
Cash held in agency	856			856
Accrued payroll and related liabilities	30,670			30,670
Accrued vacation	35,121			35,121
Capital lease obligation	15,582			15,582
TOTAL LIABILITIES	375,947	739,845	(1,011,833)	103,959
Net Assets:				
Unrestricted	550,414			550,414
Temporarily restricted	25,670			25,670
Permanently restricted	100,000			100,000
	676,084	0	0	676,084
Stockholder's Deficit:				
Common stock, no par value; 10,000 shares authorized, issued and outstanding		(467,857)	467,857	0
Accumulated deficit	0	(467,857)	467,857	0
TOTAL STOCKHOLDER'S DEFICIT	\$ 1,052,031	\$ 271,988	\$ (543,976)	\$ 780,043
TOTAL LIABILITIES AND NET ASSETS / STOCKHOLDER'S DEFICIT				

See accompanying independent auditors' report as pertains to supplementary information.

CONSOLIDATING STATEMENT OF ACTIVITIES

American Sexual Health Association and Subsidiary

Year Ended June 30, 2013

	ASHA				Empatha	Elimination Entries	Consolidated Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total			
Support and Revenue:							
Contracts and grants	\$ 658,558	\$ 381,354	\$	\$ 1,039,912	\$ 212,311	\$	\$ 1,252,223
Individual and business contributions	140,158	28,256		168,414			168,414
Sales of literature and educational materials	100,130			100,130			100,130
Interest and dividends, net of fees	1,440	289		1,729			1,729
Net realized gain on sales of investments	33,212	8,243		41,455			41,455
Net unrealized gain on investments	4,492	(532)		3,960			3,960
Other income	12,781			12,781			12,781
Management fee income	19,891			19,891		(19,891)	0
Gain from subsidiary	53,077			53,077		(53,077)	0
Net assets released from restrictions	503,671	(503,671)		0			0
TOTAL SUPPORT AND REVENUE	1,527,410	(86,061)	0	1,441,349	212,311	(72,968)	1,580,692
Expenses:							
Salaries and wages	663,166			663,166	74,046		737,212
Payroll taxes and fringe benefits	151,338			151,338	11,688		163,026
Professional services/ consultants	208,346			208,346	25,563		233,909
Accounting and audit fees	68,490			68,490			68,490
Occupancy	127,006			127,006	17,799		144,805
Telephone/internet	71,029			71,029	9,820		80,849
Printing and publications	41,093			41,093			41,093
Postage and shipping	10,298			10,298			10,298
Transportation and travel	52,016			52,016	54		52,070
Conferences and meetings	32,418			32,418	136		32,554
Equipment rental and maintenance	8,299			8,299	73		8,372
Insurance	14,225			14,225			14,225
Office supplies and expenses	10,046			10,046	164		10,210
Dues and reference materials	12,558			12,558			12,558
Interest expense	909			909			909
Other bank charges	5,440			5,440			5,440
Chapter expenses	37,936			37,936			37,936
Depreciation	13,544			13,544			13,544
Management fee	0			0	19,891	(19,891)	0
Miscellaneous	16,226			16,226			16,226
TOTAL EXPENSES	1,544,383	0	0	1,544,383	159,234	(19,891)	1,683,726
CHANGE IN NET ASSETS / NET INCOME	(16,973)	(86,061)	0	(103,034)	53,077	(53,077)	(103,034)
Net assets / accumulated deficit, beginning of year	\$ 567,387	\$ 111,731	\$ 100,000	\$ 779,118	\$ (520,934)	\$ 520,934	\$ 779,118
Change in net assets / net income	(16,973)	(86,061)	0	(103,034)	53,077	(53,077)	(103,034)
NET ASSETS / ACCUMULATED DEFICIT, END OF YEAR	\$ 550,414	\$ 25,670	\$ 100,000	\$ 676,084	\$ (467,857)	\$ 467,857	\$ 676,084

See accompanying independent auditors' report as pertains to supplementary information.