Consolidated Financial Statements

AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY

Year Ended June 30, 2014

Consolidated Financial Statements

AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY

Year Ended June 30, 2014

ROMEO, WIGGINS & COMPANY, L.L.P. ***Certified Public Accountants***

Geoffrey E. Wiggins
Jeffrey S. Romeo
Angela B. Goodwin
J. Kelly Lanier
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, 2014, 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, 2014, 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.

8309 Six Forks Road, Suite 101, Raleigh, North Carolina 27615 • (919) 847-4870 Fax: (919) 847-4689

Independent Auditors' Report--Continued

Other Matters

Report on Summarized Comparative Information
We have previously audited the Organization's 2013 consolidated financial statements and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated November 1, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, 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
November 14, 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

American Sexual Health Association and Subsidiary

June 30, 2014
(With comparative totals as of June 30, 2013)

		2014		2013
ASSETS:				
Cash and cash equivalents	$	221,452	$	65,077
Cash held in agency		0		856
Investments:				
General Fund		423,094		268,909
Endowment Fund		102,764		98,659
		525,858		367,568
Accounts receivable - contracts and grants		43,043		259,583
Accounts receivable - other		19,746		7,121
Inventory		17,627		40,038
Prepaid expenses		2,574		5,004
Property and equipment, net		52,664		34,796
TOTAL ASSETS	$	882,964	$	780,043
LIABILITIES AND NET ASSETS:				
Liabilities:				
Accounts payable and accrued expenses	$	67,210	$	21,730
Cash held in agency		0		856
Accrued payroll and related liabilities		33,540		30,670
Accrued vacation		37,431		35,121
Capital lease obligation		30,181		15,582
Total Liabilities		168,362		103,959
Net Assets:				
Unrestricted		580,468		550,414
Temporarily restricted		34,134		25,670
Permanently restricted		100,000		100,000
Total Net Assets		714,602		676,084
TOTAL LIABILITIES AND NET ASSETS	$	882,964	$	780,043

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, 2014
(With comparative totals for the year ended June 30, 2013)

	2014				2013
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
SUPPORT AND REVENUE:					
Contracts and grants	$ 1,003,972	$ 542,530	$	$ 1,546,502	$ 1,252,223
Individual and business contributions	171,383	55,557		226,940	168,414
Sales of literature and educational materials	36,000			36,000	100,130
Interest and dividends, net of fees	3,159	584		3,743	1,729
Net realized gain on sales of investments	22,634	5,793		28,427	41,455
Net unrealized gain (loss) on investments	23,551	5,889		29,440	3,960
Other income	3,977			3,977	12,781
	1,264,676	610,353	0	1,875,029	1,580,692
Net assets released from restrictions	601,889	(601,889)	0	0	0
TOTAL SUPPORT AND REVENUE	1,866,565	8,464	0	1,875,029	1,580,692
EXPENSES:					
Program services:					
Health policy	310,513			310,513	338,584
Consumer communication	1,241,404			1,241,404	1,029,595
Total program services	1,551,917			1,551,917	1,368,179
Support services:					
General and administrative	247,149			247,149	265,433
Development	37,445			37,445	50,114
Total support services	284,594			284,594	315,547
TOTAL EXPENSES	1,836,511	0	0	1,836,511	1,683,726
CHANGE IN NET ASSETS	$ 30,054	$ 8,464	$ 0	$ 38,518	$ (103,034)
Net assets, beginning of year	$ 550,414	$ 25,670	$ 100,000	$ 676,084	$ 779,118
Change in net assets	30,054	8,464	0	38,518	(103,034)
NET ASSETS, END OF YEAR	$ 580,468	$ 34,134	$ 100,000	$ 714,602	$ 676,084

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, 2014
(With comparative totals for the year ended June 30, 2013)

	2014							2013
	Program Services			Support Services				
	Health Policy	Consumer Communication	Total Program Services	Management and General	Development	Total Support Services	Total Expenses	Total Expenses
Salaries and wages	$ 138,035	$ 509,769	$ 647,804	$ 71,951	$ 12,570	$ 84,521	$ 732,325	$ 737,212
Payroll taxes and fringe benefits	36,514	71,170	107,684	43,747	948	44,695	152,379	163,026
Professional services/consultants	86,125	259,861	345,986	7,821	5,366	13,187	359,173	233,909
Accounting and audit fees		1,560	1,560	63,560		63,560	65,120	68,490
Occupancy	12,535	115,163	127,698	13,927	4,962	18,889	146,587	144,805
Telephone/ internet	7,800	71,715	79,515	7,709	3,088	10,797	90,312	80,849
Printing and publications	71	15,326	15,397	105	63	168	15,565	41,093
Postage and shipping	62	7,182	7,244	438	1,845	2,283	9,527	10,298
Transportation and travel	22,049	29,095	51,144	5,270	8	5,278	56,422	52,070
Conferences and meetings	4,689	48,359	53,048			0	53,048	32,554
Equipment rental and maintenance	165	11,056	11,221	3,791	343	4,134	15,355	8,372
Insurance			0	14,289		14,289	14,289	14,225
Office supplies and expenses	570	12,682	13,252	2,520	308	2,828	16,080	10,210
Dues and reference materials	471	6,451	6,922	1,530	5,775	7,305	14,227	12,558
Interest expense		16	16	84		84	100	909
Other bank charges		2,872	2,872	928	988	1,916	4,788	5,440
Chapter expenses		40,981	40,981			0	40,981	37,936
Loss on inventory write-off		16,503	16,503			0	16,503	0
Depreciation	1,148	7,713	8,861	3,788	983	4,771	13,632	13,544
Miscellaneous	279	13,930	14,209	5,691	198	5,889	20,098	16,226
TOTAL EXPENSES	$ 310,513	$ 1,241,404	$ 1,551,917	$ 247,149	$ 37,445	$ 284,594	$ 1,836,511	$ 1,683,726

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, 2014
(With comparative totals for the year ended June 30, 2013)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 38,518	$ (103,034)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	13,632	13,544
Net (gain) on sales of investments	(28,427)	(41,455)
Net unrealized (gain) on investments	(29,440)	(3,960)
Changes in operating assets and liabilities:		
Accounts receivable - contracts and grants	216,540	(191,024)
Accounts receivable - other	(12,625)	(2,656)
Inventory	22,411	(1,018)
Prepaid expenses	2,430	2,471
Accounts payable and accrued expenses	45,480	(33,459)
Accrued payroll and related liabilities	2,870	12
Accrued vacation	2,310	1,297
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	273,699	(359,282)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments, including reinvestments	(132,922)	(1,298)
Distributions from investment portfolio	32,500	168,500
Purchases of property and equipment	(1,320)	0
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(101,742)	167,202
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital lease obligations	(15,582)	(22,749)
NET CASH FLOWS USED IN FINANCING ACTIVITES	(15,582)	(22,749)
NET CHANGE IN CASH AND CASH EQUIVALENTS	156,375	(214,829)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	65,077	279,906
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 221,452	$ 65,077
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	$ 100	$ 909
NONCASH INVESTING AND FINANCING ACTIVITIES		
Purchase of property and equipment, financed by capital lease	$ 30,181	$ 0
Cash held in agency:		
Receipts	0	15,327
Disbursements	(856)	(56,201)
Net change	$ (856)	$ (40,874)

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

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 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 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 2013-2014, using ASHA facilities and employees. ASHA charged Empatha $354,004 for direct expenses and $44,387 for management and support services provided.

Affiliated Entity: The CEO/President of ASHA is a nonvoting, ex-officio member of the Board of Directors of the American Sexually Transmitted Diseases Association (ASTDA). ASHA provides conference management and administration management services to ASTDA. In fiscal 2013-2014, ASHA recognized revenue of $12,000 for management services provided in connection with the 2014 STD conference, $27,500 for administration management services, and $1,800 for in-house printing services.

Basis of Accounting: The consolidated financial statements of ASHA and its subsidiary (collectively, "the Organization") 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.

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.

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

Investments: ASHA's investments at June 30, 2014 consist of funds held in agency with Triangle Community Foundation. The funds are invested in a 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 $5,003. Refer also to *Note E--Permanently Restricted / Endowments Net Assets and Note I--Fair Value Measurements.*

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, 2014. 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. The Organization 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 wrote off inventory having a cost of $16,503 in fiscal 2013-2014.

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.

Impairment of Long-Lived Assets: Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

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 approximate the fair value of such due to the short-term maturity of these financial instruments at June 30, 2014. The carrying value of capital lease obligations approximates the fair value of such based on market rates for financial instruments with similar terms and remaining maturities. Refer also to *Note I--Fair Value Measurements.*

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

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 fiscal 2009-2010 remain open and subject to examination.

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, 2013, from which the summarized information was derived.

NOTE B -- SIGNIFICANT CONCENTRATIONS

Support Risk: Approximately 25% of the reporting entities' total support and revenue for the year ended June 30, 2014, was derived from a contract with a nonprofit organization. This significant contract extends through December 31, 2015, and provides for one-year renewal periods thereafter.

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, 2014, 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, 2014, approximately 75% of contract and grants receivables consisted of amounts due under the significant contract referenced in *Support Risk* above.

AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY

NOTE C -- PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2014:

Furniture and equipment	$ 326,972
Leasehold improvements	38,258
Asset held under a capital lease	30,181
	395,411
Less: Accumulated depreciation and amortization	(342,747)
	$ 52,664

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, 2014:

Health Policy	$ 462,530
Consumer Communication	129,859
Appropriation of endowment earnings	9,500
	$ 601,889

Temporarily restricted net assets are available for the following purposes at June 30, 2014:

Consumer Communication	$ 31,370
Accumulated earnings on endowments	2,764
	$ 34,134

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 (TCF), 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 when distributed in accordance with TCF's spending policies.

The composition of endowment net assets by fund type is as follows at June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 0	$ 2,764	$ 100,000	$ 102,764
Board-designated endowment funds	0	0	0	0
Total funds, at June 30, 2014	$ 0	$ 2,764	$ 100,000	$ 102,764

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

Changes in endowment net assets for the year ended June 30, 2014, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2013	$ (1,341)	$ 0	$ 100,000	$ 98,659
Investment return:				
Interest/dividend income, net*	0	584	0	584
Net change in fair value	1,341	11,680	0	13,021
Total investment return	1,341	12,264	0	13,605
Contributions	0	0	0	0
Appropriation for expenditure	0	(9,500)	0	(9,500)
Endowment net assets, June 30, 2014	$ 0	$ 2,764	$ 100,000	$ 102,764

*Net administrative fees of $1,059

Regulations/Standards Governing Endowment Funds: In March 2009, the State of North Carolina enacted a version of UPMIFA (Uniform Prudent Management Institutional Funds Act) applicable to endowment funds existing on or established after the Act's effective date. UPMIFA 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. FASB ASC 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for nonprofit organizations subject to an enacted version of UPMIFA. FASB ASC 958-205 also requires additional disclosures about an organization's endowment funds (whether donor-restricted or board-designated) as disclosed herein.

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 (State Prudent Management Institutional Funds Act).

NOTE F -- LEASE COMMITMENTS

Operating Lease: The Organization leases its primary office space under an operating lease expiring in June 2015. Rent expense (including TICAM) approximated $144,772 for the year ended June 30, 2014.

Future minimum rentals (excluding TICAM) required under the lease are as follows at June 30, 2014:

Years Ending June 30,	
2015	$ 143,000
Thereafter	0
	$ 143,000

NOTE F -- LEASE COMMITMENTS--Continued

Capital Lease: The Organization financed the purchase of a CPU Server by obtaining a capital lease (with a bargain purchase option) in fiscal 2013-2014. Future minimum lease payments under the capital lease are as follows at June 30, 2014:

Years Ending June 30,	
2015	$ 15,607
2016	15,607
Thereafter	0
	31,214
Less: Amounts representing interest	(1,033)
	$ 30,181

The asset held under the capital lease is being amortized over five years and is included in property and equipment at June 30, 2014 as follows:

Asset held under a capital lease	$ 30,181
Less: Accumulated amortization	(3,144)
	$ 27,037

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, 2014, 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 $23,854 for fiscal 2013-2014. ASHA and Empatha may make discretionary matching contributions, as well as discretionary non-elective contributions; however, no discretionary contributions were made for fiscal 2013-2014.

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, 2014:

Deferred tax asset:	
Net operating loss:	
Federal	$ 135,665
State	27,532
	163,197
Valuation allowance	(163,197)
Net deferred tax asset	$ 0

Empatha has $399,000 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 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, 2014:

June 30, 2014	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	$ 190,272	$ 190,272	$ 0	$ 0
Investments	525,858	525,858	0	0
	$ 716,130	$ 716,130	$ 0	$ 0

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, 2014, the Organization has no assets or liabilities classified within Level 2 or Level 3 of the fair value hierarchy.

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 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 K -- SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 14, 2014, the date on which financial statements were available for issue.