

Consolidated Financial Statements

**AMERICAN SEXUAL HEALTH ASSOCIATION
AND SUBSIDIARY**

Year Ended June 30, 2020

Consolidated Financial Statements

AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY

Year Ended June 30, 2020

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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, 2020, 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, 2020, 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 ASU 2018-08

As described in Note A to the consolidated financial statements, American Sexual Health Association and subsidiary adopted FASB Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as of and for the year ended June 30, 2020. 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 2019 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 February 26, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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
January 27, 2021

Consolidated Statement of Financial Position

AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY

June 30, 2020

(With comparative totals as of June 30, 2019)

	2020	2019
ASSETS:		
Cash	\$ 317,653	\$ 528,367
Investments:		
General Fund	462,009	432,075
Endowment Fund	<u>100,000</u>	<u>103,861</u>
	562,009	535,936
Accounts receivable - contracts and grants	264,655	127,422
Accounts receivable - other	6,429	6,722
Inventory	4,011	6,202
Prepaid expenses	2,622	3,085
Property and equipment, net	<u>1,177</u>	<u>2,079</u>
TOTAL ASSETS	\$ <u>1,158,556</u>	\$ <u>1,209,813</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 83,973	\$ 44,219
Accrued payroll and related liabilities	54,535	55,384
Accrued vacation	41,466	34,922
Deferred revenue	31,780	-
Deferred support - PPP loan	79,048	-
Deferred support - other	<u>190,364</u>	<u>213,437</u>
Total Liabilities	481,166	347,962
Net Assets:		
Without donor restrictions	307,875	361,752
With donor restrictions:		
Other than endowments	269,515	396,238
Held under endowments	<u>100,000</u>	<u>103,861</u>
	369,515	500,099
Total Net Assets	<u>677,390</u>	<u>861,851</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,158,556</u>	\$ <u>1,209,813</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, 2020

(With comparative totals for the year ended June 30, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE:				
Contracts and grants	\$ 930,969	\$ 527,853	\$ 1,458,822	\$ 1,677,681
Individual and business contributions	56,678	23,106	79,784	150,089
PPP loan--eligible for forgiveness	107,952	-	107,952	-
Sales of literature and educational materials	26,228		26,228	26,695
Interest and dividends, net of fees	4,046	799	4,845	4,495
Net change in fair value of investments	42,002	9,225	51,227	9,893
Other income	45,784		45,784	55,305
	1,213,659	560,983	1,774,642	1,928,656
Net assets released from restrictions	691,567	(691,567)	-	-
TOTAL SUPPORT AND REVENUE	1,905,226	(130,584)	1,774,642	1,928,656
EXPENSES:				
Program services:				
Health policy	227,676		227,676	252,884
Consumer communication/education	1,193,535		1,193,535	1,126,721
NCCC	160,167		160,167	187,514
Sexual health promotion	144,752		144,752	126,370
Total program services	1,726,130	-	1,726,130	1,693,489
Support services:				
Management and general	203,855		203,855	244,600
Development	29,118		29,118	38,348
Total support services	232,973	-	232,973	287,446
TOTAL EXPENSES	1,959,103	-	1,959,103	1,980,935
CHANGE IN NET ASSETS	\$ (53,877)	\$ (130,584)	\$ (184,461)	\$ (52,279)
Net assets, beginning of year	\$ 361,752	\$ 500,099	\$ 861,851	\$ 914,130
Change in net assets	(53,877)	(130,584)	(184,461)	(52,279)
NET ASSETS, END OF YEAR	\$ 307,875	\$ 369,515	\$ 677,390	\$ 861,851

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, 2020

(With comparative totals for the year ended June 30, 2019)

	2020						2019					
	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	\$ 160,806	\$ 528,317	\$ 73,773	\$ 57,734	\$ 820,630	\$ 33,082	\$ 16,265	\$ 49,347	\$ 869,977	\$ 977,347		
Payroll taxes and fringe benefits	26,476	91,861	17,966	4,501	140,804	24,146	1,219	25,365	166,169	185,447		
Professional services/consultants	25,612	316,392	7,899	49,758	399,661	106,749	3,000	109,749	509,410	385,603		
Occupancy	5,961	95,384	11,923	5,961	119,229	1,980		1,980	121,209	112,049		
Telephone/ internet	1,462	108,875	2,440	1,553	114,330			-	114,330	118,322		
Printing and publications	7	10,096	885	47	11,035	32	236	268	11,303	7,720		
Postage and shipping		1,845	637	475	2,957	310	514	824	3,781	3,857		
Transportation and travel	5,137	3,833	3,079	5,267	17,316	7,874	615	8,489	25,805	39,443		
Conferences and meetings	300	208	12,153	4,388	17,049	10,750		10,750	27,799	23,112		
Equipment rental and maintenance	13	13,995	2,067	94	16,169	696	571	1,267	17,436	13,119		
Advertising	677	4,037	922	5,835	11,471			-	11,471	7,112		
Insurance					-	13,721		13,721	13,721	13,223		
Office supplies and expenses	309	3,558	548	755	5,170	1,073		1,073	6,243	13,995		
Dues and reference materials	299	7,110	2,834	1,481	11,724	1,631	6,101	7,732	19,456	21,204		
Interest expense					-	661		661	661	289		
Other bank charges		3,644		1,953	5,597	401	597	998	6,595	13,706		
Chapter expenses			12,791		12,791			-	12,791	18,665		
Bad debt					-			-	-	3,799		
Depreciation/amortization	45	722	90	45	902			-	902	4,184		
Miscellaneous expense	572	3,658	10,160	4,905	19,295	749		749	20,044	18,739		
TOTAL EXPENSES	\$ 227,676	\$ 1,193,535	\$ 160,167	\$ 144,752	\$ 1,726,130	\$ 203,855	\$ 29,118	\$ 232,973	\$ 1,959,103	\$ 1,980,935		

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, 2020

(With comparative totals for the year ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (184,461)	\$ (52,279)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	902	4,184
Net change in fair value of investments	(51,227)	(9,893)
Changes in operating assets and liabilities:		
Accounts receivable - contracts and grants	(137,233)	19,160
Accounts receivable - other	293	2,065
Inventory	2,191	(5,302)
Prepaid expenses	463	2,656
Accounts payable and accrued expenses	39,754	17,356
Accrued payroll and related liabilities	(849)	(5,564)
Accrued vacation	6,544	(287)
Deferred revenue	31,780	-
Deferred support - PPP loan	79,048	-
Deferred support - other	(23,073)	201,771
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(235,868)</u>	<u>173,867</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Transfers to investment portfolio	(10,958)	(153,306)
Distributions from investment portfolio	36,112	150,000
Purchases of property and equipment	-	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>25,154</u>	<u>(3,306)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET CHANGE IN CASH	(210,714)	170,561
CASH - BEGINNING OF YEAR	<u>528,367</u>	<u>357,806</u>
CASH - END OF YEAR	<u><u>\$ 317,653</u></u>	<u><u>\$ 528,367</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	\$ 661	\$ 289

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

AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY

Year Ended June 30, 2020

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 empowers individuals, families and communities to achieve sexually healthy lives through education and advocacy. 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 formerly serviced a call center contract, using ASHA facilities and employees. The call center contract has been serviced directly by ASHA since fiscal 2016-2017. Empatha reported no activity for fiscal 2019-2020 and 2018-2019 and reported a stockholder's deficit of \$523,399 at June 30, 2020 and 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 2019-2020, ASHA recognized revenue of \$28,600 for general management and support services provided to ASTDA. ASHA managed no conferences for ASTDA in fiscal 2019-2020.

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 ASU 2018-18: During fiscal year 2020, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard clarifies how an entity determines whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and whether a contribution should be considered conditional. As required by ASU 2018-18, the Organization applied the requirements on a modified prospective basis to agreements that either were not complete at July 1, 2019, or were entered into after July 1, 2019. The adoption of ASU 2018-18 resulted in no changes to support and revenue recognized or subgrants expended for the year ended June 30, 2020.

Net Assets: The Organization's net assets have been grouped into the following 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. Refer also to *Note F--Net Assets With Donor Restrictions, Other Than Endowments* and *Note G--Net Assets With Donor Restrictions, Held Under Endowments*.

Recognition of Support: The Organization evaluates contributions, contracts, and grants to determine whether the transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred, or (2) a contribution. If determined to be an exchange transaction, revenue is recognized in accordance with ASC Topic 605. If the transfer of assets is determined to be a contribution, the Organization evaluates whether the contribution is conditional based on whether the agreement includes both (1) one or more barriers that must be overcome and (2) either a right of return of assets transferred or a right of release from the donor's obligation to transfer assets. Grants and contributions requiring a match are considered conditional until the match is satisfied, wholly or in part, as defined by agreement. Cost-reimbursement grants are considered conditional until qualifying expenditures are incurred. Event sponsorships are considered conditional until the event is held. Amounts received in advance of conditions being met are included in deferred support in the statement of financial position. Support from unconditional grants and contributions is recognized as an increase in either net assets without donor restrictions or net assets with donor restrictions, based on the absence or presence of any donor-imposed restrictions.

Deferred Support -- PPP Loan: The Organization received a *forgivable loan* of \$187,000 on April 22, 2020, under the Paycheck Protection Program (PPP), a program administered through the U.S. Small Business Administration and created with the enactment of the Coronavirus Aid, Relief, and Economy Security Act (The CARES Act). Management expects the loan to be eligible for forgiveness based on the Organization's use of all proceeds therefrom to fund eligible payroll or other qualifying expenses within twenty-four weeks of receipt. The Organization has elected to account for the forgivable loan as conditional support, in accordance with ASC Subtopic 958-605. Deferred support of \$79,048 at June 30, 2020, represents management's estimate of the loan proceeds for which conditions of forgiveness were met subsequent to June 30, 2020.

AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY

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

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.

Recognition of Revenue: Revenue is recognized as contract services are provided, upon sale of educational materials, and as events are held. Deferred revenue at June 30, 2020, includes advances on service contracts and fees collected prior to an event being held.

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, 2020.

Investments: ASHA's investments at June 30, 2020, consist of funds held with Charles Schwab. The funds are invested in cash, a bank sweep account, fixed income and equity securities, and exchange-traded funds with varying degrees of risk. Investments are carried at fair value based on quoted market prices. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

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, 2020. 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 2019-2020.

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.

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.

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. Investments are recorded at fair value, as reported by Charles Schwab at June 30, 2020. Refer also to *Note K--Fair Value Measurements*.

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, 2019, 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 2019-2020.

Future Pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2019, as deferred by ASU 2020-05. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the 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 and conditions:

	June 30, 2020
Financial assets at June 30 (cash, investments, and receivables)	\$ 1,150,746
Less those unavailable for general expenditures within one year, due to:	
Deferred revenue and support	(301,192)
Net assets with donor restrictions:	
Other than endowments	(269,515)
Held under endowments	<u>(100,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>480,039</u>

AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY

NOTE C -- SIGNIFICANT CONCENTRATIONS (including subsequent events)

Support Risk (including subsequent events): Approximately 46% of ASHA's total support and revenue for the year ended June 30, 2020, was derived from a call center contract with a nonprofit agency. The contract expired December 31, 2020; however, ASHA continues to provide call center services based on the contracting agency's expressed intent (on January 14, 2021) to continue contracting with ASHA through December 31, 2021.

Credit Risk: Financial instruments that subject the Organization to the potential concentration of credit risk consist primarily of bank holdings, investments, and accounts receivable. The Organization's bank deposits are held by one bank and are eligible for up to \$250,000 of FDIC insurance coverage. At June 30, 2020, the Organization's bank deposits exceeded federally insured limits by approximately \$73,000. The Organization has incurred no loss as a result of such.

At June 30, 2020, investments of \$562,009 are held with Charles Schwab as described in *Note D--Investments*. Only bank sweep funds are eligible for FDIC coverage. The remaining investments may be eligible for SIPC protection of up to \$500,000. However, SIPC protection does not ensure the quality of investments or protect against losses from changing market values.

At June 30, 2020, approximately 89% of *accounts receivable -- contracts and grants* is due under the significant contract referenced in *Support Risk* above.

NOTE D -- INVESTMENTS

In July 2011, ASHA placed \$500,000 in agency with Triangle Community Foundation (TCF), including \$400,000 of operating reserves and \$100,000 of donor-restricted endowment assets. In January 2020, ASHA withdrew funds of \$455,352 from its holdings with TCF and closed the accounts. In February 2020, ASHA invested \$440,000 with Charles Schwab, of which \$100,000 is held under permanent endowments. At June 30, 2020, the endowment portfolio of \$100,000 is invested in cash and a bank sweep account.

Investments are carried at fair value based on quoted market prices and are summarized as follows at June 30, 2020:

Cash	\$ 218,339	39%
Bank Sweep	40,911	7%
Fixed income	91,905	16%
Equities	132,140	24%
Exchange Traded Funds:		
Fixed income	12,632	2%
Equities	53,571	10%
Other	8,291	1%
Other assets	4,220	1%
Total investments	<u>\$ 562,009</u>	<u>100.00%</u>

Net investment income consists of the following for the year ended June 30, 2020:

Investment earnings (net)	\$ 4,068
Net change in fair value	<u>51,227</u>
	<u>\$ 55,295</u>

Refer also to *Note C--Significant Concentrations*, *Note G--Net Assets With Donor Restrictions, Held Under Endowments*, and *Note K--Fair Value Measurements*.

Notes to Consolidated Financial Statements--Continued

AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY

NOTE E -- PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2020:

Other equipment	\$ 10,894
CPU server	<u>30,181</u>
	41,075
Less: Accumulated depreciation and amortization	<u>(39,898)</u>
	<u>\$ 1,177</u>

NOTE F -- 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, 2020:

Health policy	\$ 158,750
Consumer communication/education	242,850
NCCC	121,082
Sexual health promotion	<u>155,000</u>
	<u>\$ 677,682</u>

Net assets with donor restrictions, other than endowments, are available for the following purposes at June 30, 2020:

Health policy	\$ 95,000
Consumer communication/education	13,000
NCCC	136,515
Sexual health promotion	<u>25,000</u>
	<u>\$ 269,515</u>

NOTE G -- 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 endowment funds of \$100,000 in agency with Triangle Community Foundation (TCF). In late-January 2020, these funds were withdrawn from TCF; in early-February 2020, endowment funds of \$100,000 were placed with Charles Schwab. At June 30, 2020, the endowment portfolio is invested in cash and a bank sweep. 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 may be appropriated for ASHA's general use.

The composition of endowment net assets by fund type is as follows at June 30, 2020:

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

Notes to Consolidated Financial Statements--Continued

AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY

NOTE G -- NET ASSETS WITH DONOR RESTRICTIONS, HELD UNDER ENDOWMENTS -- Continued

Changes in endowment net assets for the year ended June 30, 2020, are as follows:

	Subject to <u>Approp'n</u>	Subject to Investment <u>in Perpetuity</u>	<u>Total</u>
Endowment net assets, June 30, 2019	\$ 3,861	\$ 100,000	\$ 103,861
Contributions	-	-	-
Investment return:			
Interest/dividend income, net*	799	-	799
Net change in fair value	<u>9,225</u>	<u>-</u>	<u>9,225</u>
Total investment return	10,024	-	10,024
Appropriated for expenditure	<u>(13,885)</u>	<u>-</u>	<u>(13,885)</u>
Endowment net assets, June 30, 2020	\$ <u>-</u>	\$ <u>100,000</u>	\$ <u>100,000</u>

*Net administrative fees of \$782

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.

NOTE H -- LEASE COMMITMENTS (including a subsequent event)

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 \$119,229 for the year ended June 30, 2020. The Organization also leases a copier under an operating lease that expired in August 2020. Lease expense approximated \$17,238 for the year ended June 30, 2020.

Future minimum rentals (excluding TICAM) required under these operating leases, are as follows at June 30, 2020:

<u>Years Ending June 30,</u>	
2021	\$ 111,451
2022	112,638
2023	71,813
Thereafter	<u>-</u>
	\$ <u>295,902</u>

AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY

NOTE I -- 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, 2020, 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 \$28,209 for fiscal 2019-2020. The plan also provides for discretionary matching contributions, as well as discretionary non-elective contributions; however, no discretionary contributions were made for fiscal 2019-2020.

NOTE J -- 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, 2020:

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.

NOTE K -- 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.

AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY

NOTE K -- FAIR VALUE MEASUREMENTS -- Continued

The following represents assets measured at fair value on a recurring basis by the Organization at June 30, 2020:

		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
<u>June 30, 2020</u>	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
<i>Investments</i> , excluding cash and bank sweep held by broker	\$ 302,759	\$ 302,759	\$ -	\$ -

Level 1: Investments are held in various fixed income and equity securities and exchange-traded funds with varying degrees of risk. Refer also to *Note D--Investments*.

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, 2020.

At June 30, 2020, the Organization has no assets or liabilities classified within Levels 2 or 3 of the fair value hierarchy.

NOTE L -- COMMITMENTS AND CONTINGENCIES

Grantor Audits: 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.

Impact of COVID-19: On March 11, 2020, the World Health Organization declared COVID-19 a global health pandemic. The State of North Carolina operated under a "Stay at Home" order from March 27, 2020 to May 8, 2020 during which only *essential* service providers were permitted to have their employees continue to work on-site. The State is currently operating under Phase Three of its Three Phase re-opening plan.

Management expects that support and revenues from individual and business contributions, as well as conference registration fees, in fiscal 2021 may be reduced as a result of the pandemic.

ASHA's employees are working remotely to provide program and support services via phone, video conferences, and e-mail. Management will reevaluate this remote working policy in 2021, and will adhere to public health guidance and recommendations.

Due to these uncertainties, the Organization applied for a *forgivable loan* under the Paycheck Protection Program (PPP), a program administered through the U.S. Small Business Administration and created with the enactment of the Coronavirus Aid, Relief, and Economy Security Act (The CARES Act). A loan of \$187,000 was approved and funded on April 22, 2020. Management expects the PPP loan to be eligible for forgiveness based on the Organization's use of all proceeds therefrom to fund eligible payroll or other qualifying expenses within twenty-four weeks of receipt. Eligible expenses of \$107,952 were incurred through June 30, 2020, with \$79,048 incurred in fiscal 2021. Refer also to Note A as pertains to *Deferred Support--PPP Loan*.

Notes to Consolidated Financial Statements--Continued

AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY

NOTE L -- COMMITMENTS AND CONTINGENCIES -- Continued

Management continues to monitor the situation; however, the impact of COVID-19 on the Organization's operations cannot be reasonably estimated at this time.

The U.S. Food and Drug Administration recently approved certain vaccines for the coronavirus which will be made available first to high-risk individuals and then to the population at large. Management continues to monitor the situation; however, the resulting impact of COVID-19 on operations cannot be reasonably estimated at this time.

NOTE M -- SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 27, 2021, the date on which the consolidated financial statements were available to be issued.