

**Consolidated Financial Statements  
and Supplementary Information**

**AMERICAN SEXUAL HEALTH ASSOCIATION  
AND SUBSIDIARY**

**Year Ended June 30, 2016**

Consolidated Financial Statements and Supplementary Information

**AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY**

Year Ended June 30, 2016

**Consolidated Financial Statements**

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Geoffrey E. Wiggins  
Jeffrey S. Romeo  
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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 (a nonprofit organization) and subsidiary, which comprise the consolidated statement of financial position as of June 30, 2016, 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, 2016, 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.

*Independent Auditors' Report--Continued*

***Other Matters***

*Report on Summarized Comparative Information*

We have previously audited the 2015 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 November 23, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, 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 consolidated financial statements or to the 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  
January 12, 2017

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## American Sexual Health Association and Subsidiary

June 30, 2016

(With comparative totals as of June 30, 2015)

	2016	2015
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 276,714	\$ 201,414
Investments:		
General Fund	443,276	423,136
Endowment Fund	100,737	102,823
	<u>544,013</u>	<u>525,959</u>
Accounts receivable - contracts and grants	182,247	177,037
Accounts receivable - other	7,876	4,381
Inventory	5,449	9,800
Prepaid expenses	3,364	2,430
Property and equipment, net	21,622	29,258
TOTAL ASSETS	<u>\$ 1,041,285</u>	<u>\$ 950,279</u>
<b>LIABILITIES AND NET ASSETS:</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 61,333	\$ 66,275
Accrued payroll and related liabilities	33,072	34,213
Accrued vacation	38,420	33,818
Deferred lease buyout	13,932	0
Capital lease obligation	0	15,235
Total Liabilities	<u>146,757</u>	<u>149,541</u>
Net Assets:		
Unrestricted	604,418	599,490
Temporarily restricted	190,110	101,248
Permanently restricted	100,000	100,000
Total Net Assets	<u>894,528</u>	<u>800,738</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,041,285</u>	<u>\$ 950,279</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, 2016

(With comparative totals for the year ended June 30, 2015)

	2016			2015	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>SUPPORT AND REVENUE:</b>					
Contracts and grants	\$ 650,699	\$ 367,500	\$	\$ 1,018,199	\$ 1,534,500
Individual and business contributions	86,051	127,066		213,117	197,010
Cy pres settlement funds	500,000			500,000	0
Sales of literature and educational materials	48,853			48,853	46,727
Interest and dividends, net of fees	(77)	(61)		(138)	(148)
Net realized gain on sales of investments	1,349	502		1,851	9,909
Net unrealized gain (loss) on investments	(9,873)	(2,526)		(12,399)	(10,502)
Other income	68,211			68,211	16,320
	<u>1,345,213</u>	<u>492,481</u>	<u>0</u>	<u>1,837,694</u>	<u>1,793,816</u>
Net assets released from restrictions	<u>403,619</u>	<u>(403,619)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>1,748,832</u>	<u>88,862</u>	<u>0</u>	<u>1,837,694</u>	<u>1,793,816</u>
<b>EXPENSES:</b>					
Program services:					
Health policy	246,108			246,108	246,939
Consumer communication/education	1,211,062			1,211,062	1,122,984
Total program services	<u>1,457,170</u>	<u></u>	<u></u>	<u>1,457,170</u>	<u>1,369,923</u>
Support services:					
General and administrative	231,234			231,234	287,953
Development	55,500			55,500	49,804
Total support services	<u>286,734</u>	<u></u>	<u></u>	<u>286,734</u>	<u>337,757</u>
<b>TOTAL EXPENSES</b>	<u>1,743,904</u>	<u>0</u>	<u>0</u>	<u>1,743,904</u>	<u>1,707,680</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ 4,928</u>	<u>\$ 88,862</u>	<u>\$ 0</u>	<u>\$ 93,790</u>	<u>\$ 86,136</u>
Net assets, beginning of year	\$ 599,490	\$ 101,248	\$ 100,000	\$ 800,738	\$ 714,602
Change in net assets	<u>4,928</u>	<u>88,862</u>	<u>0</u>	<u>93,790</u>	<u>86,136</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 604,418</u>	<u>\$ 190,110</u>	<u>\$ 100,000</u>	<u>\$ 894,528</u>	<u>\$ 800,738</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, 2016

(With comparative totals for the year ended June 30, 2015)

	2016						2015	
	Program Services			Support Services			Total	Total
	Health Policy	Consumer Communication	Total Program Services	Management and General	Development	Total Support Services	Expenses	Expenses
Salaries and wages	\$ 144,179	\$ 510,906	\$ 655,085	\$ 72,740	\$ 22,890	\$ 95,630	\$ 750,715	\$ 733,473
Payroll taxes and fringe benefits	43,148	85,669	128,817	26,572	2,025	28,597	157,414	161,376
Professional services/consultants	15,695	245,782	261,477	10,275	9,570	19,845	281,322	211,399
Accounting and audit fees		420	420	67,535		67,535	67,955	70,555
Occupancy	5,112	44,826	49,938	6,207	1,376	7,583	57,521	132,982
Telephone/ internet	9,533	86,726	96,259	7,859	2,573	10,432	106,691	97,102
Printing and publications	136	15,535	15,671	67	2,628	2,695	18,366	23,365
Postage and shipping	34	5,626	5,660	493	2,056	2,549	8,209	9,742
Transportation and travel	15,519	26,091	41,610	10,497	1,416	11,913	53,523	62,166
Conferences and meetings	9,905	20,693	30,598	1,821	69	1,890	32,488	26,232
Equipment rental and maintenance	381	21,669	22,050	706	663	1,369	23,419	28,055
Advertising	315	1,955	2,270	756	166	922	3,192	847
Insurance				16,032		16,032	16,032	15,223
Office supplies and expenses	427	9,306	9,733	2,169	542	2,711	12,444	16,411
Dues and reference materials	24	5,850	5,874	418	8,745	9,163	15,037	14,793
Interest expense				357		357	357	1,094
Other bank charges		5,634	5,634	874	354	1,228	6,862	5,906
Chapter expenses		79,754	79,754			0	79,754	38,513
Loss on inventory write-off		1,038	1,038			0	1,038	5,821
Depreciation	1,416	12,421	13,837	1,171	382	1,553	15,390	23,406
Miscellaneous expense	284	31,161	31,445	4,685	45	4,730	36,175	29,219
TOTAL EXPENSES	\$ 246,108	\$ 1,211,062	\$ 1,457,170	\$ 231,234	\$ 55,500	\$ 286,734	\$ 1,743,904	\$ 1,707,680

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, 2016

(With comparative totals for the year ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 93,790	\$ 86,136
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	15,390	23,406
Net realized (gain) on investments	(1,851)	(9,909)
Net unrealized loss on investments	12,399	10,502
Changes in operating assets and liabilities:		
Accounts receivable - contracts and grants	(5,210)	(133,994)
Accounts receivable - other	(3,495)	15,365
Inventory	4,351	7,827
Prepaid expenses	(934)	144
Accounts payable and accrued expenses	(4,942)	(935)
Accrued payroll and related liabilities	(1,141)	673
Accrued vacation	4,602	(3,613)
Deferred lease buyout	13,932	0
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>126,891</u>	<u>(4,398)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Transfers to investment portfolio	(154,000)	(65,000)
Distributions from investment portfolio	125,398	64,306
Purchases of property and equipment	(7,754)	0
NET CASH USED IN INVESTING ACTIVITIES	<u>(36,356)</u>	<u>(694)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital lease obligation	(15,235)	(14,946)
NET CASH USED IN FINANCING ACTIVITIES	<u>(15,235)</u>	<u>(14,946)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	75,300	(20,038)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>201,414</u>	<u>221,452</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 276,714</u>	<u>\$ 201,414</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	\$ 357	\$ 1,094

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



**AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY**

Year Ended June 30, 2016

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

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

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

Empatha, Inc. (Empatha) was incorporated in 2005 and is a wholly-owned subsidiary of ASHA. Empatha serviced a call center contract for fiscal 2015-2016, using ASHA facilities and employees. ASHA charged Empatha \$460,762 for direct expenses and \$41,416 for management and other support services provided. Empatha reported contract revenue of \$435,959 and a net loss of \$66,219 for the year ended June 30, 2016, and stockholder's deficit of \$523,399 at June 30, 2016.

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 2015-2016, ASHA recognized revenue of \$30,000 for management services provided in connection with the 2014 and 2016 STD conferences and \$37,098 for administration management services.

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.

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. ASHA reports 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*.

Investments: ASHA's investments at June 30, 2016 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 \$990. 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. 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, 2016. 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 wrote-off inventory of \$1,038 in fiscal 2015-2016.

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.

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, 2016. Refer also to *Note I--Fair Value Measurements*.

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

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

**AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY**

**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 2012-2013 remain open and subject to examination.

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, 2015, from which the summarized information was derived.

**NOTE B -- SIGNIFICANT CONCENTRATIONS**

Support Risk: Approximately 23% of the reporting entities' total support and revenue for the year ended June 30, 2016, was derived from a contract with a nonprofit agency. This significant contract was renewed for July 1, 2016 through June 30, 2017.

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, 2016, the Organization's bank deposits exceeded federally insured limits by approximately \$29,500.

In July 2011, the Organization placed \$500,000 in agency with Triangle Community Foundation, including \$400,000 of operating reserves and \$100,000 of donor-restricted 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, 2016, approximately 77% of contracts and grants receivables consisted of amounts due under two contracts, including approximately 42% due under the significant contract referenced in *Support Risk* above.

Notes to Consolidated Financial Statements--Continued

**AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY**

**NOTE C -- PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30, 2016:

Furniture and equipment	\$ 76,794
CPU server	<u>30,181</u>
	106,975
Less: Accumulated depreciation and amortization	<u>(85,353)</u>
	<u>\$ 21,622</u>

**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, 2016:

Health Policy	\$ 240,500
Consumer Communication	<u>163,119</u>
	<u>\$ 403,619</u>

Temporarily restricted net assets are available for the following purposes at June 30, 2016:

Health Policy	\$ 77,000
Consumer Communication	112,372
Accumulated earnings on endowments	<u>738</u>
	<u>\$ 190,110</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 (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, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 0	\$ 737	\$ 100,000	\$ 100,737
Board-designated endowment funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total funds, at June 30, 2016	<u>\$ 0</u>	<u>\$ 737</u>	<u>\$ 100,000</u>	<u>\$ 100,737</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, 2016, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2015	\$ <u>0</u>	\$ <u>2,823</u>	\$ <u>100,000</u>	\$ <u>102,823</u>
Investment return:				
Interest/dividend income, net*	0	(61)	0	(61)
Net change in fair value	<u>0</u>	<u>(2,025)</u>	<u>0</u>	<u>(2,025)</u>
Total investment return	0	(2,086)	0	(2,086)
Contributions	0	0	0	0
Appropriation for expenditure	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Endowment net assets, June 30, 2016	\$ <u>0</u>	\$ <u>737</u>	\$ <u>100,000</u>	\$ <u>100,737</u>

\*Net administrative fees of \$990

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.

The Organization has interpreted the State Prudent Management Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the endowed gift on the date of gift, absent explicit donor stipulations to the contrary. Therefore, 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.

NOTE F -- LEASE COMMITMENTS

Operating Leases: The Organization leases its primary office space under an operating lease expiring in June 2020. Rent expense (including TICAM) approximated \$55,541 for the year ended June 30, 2016. The Organization also leases a copier under an operating lease expiring in June 2017. In August 2015, the Organization entered into an operating lease for a second copier in exchange for a buyout of the initial copier lease. The deferred lease buyout is being recognized ratably over the remaining lease term of the initial lease, with \$13,932 remaining at June 30, 2016 to provide for copier rentals through June 2017. The second copier lease expires in August 2020.

Notes to Consolidated Financial Statements--Continued

**AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY**

NOTE F -- LEASE COMMITMENTS--Continued

Future minimum rentals (excluding TICAM) required under these operating leases are as follows at June 30, 2016:

<u>Years Ending June 30,</u>	
2017	\$ 82,675
2018	70,638
2019	72,230
2020	73,880
2021	2,094
Thereafter	<u>0</u>
	<u>\$ 301,517</u>

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. The Organization exercised the bargain purchase option at the end of the lease term (April 2016). The asset of \$30,180 is being amortized over five years and has a net book value of \$14,965 at June 30, 2016.

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, 2016, 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 \$25,211 for fiscal 2015-2016. ASHA and Empatha may make discretionary matching contributions, as well as discretionary non-elective contributions; however, no discretionary contributions were made for fiscal 2015-2016.

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, 2016:

Deferred tax asset:	
Net operating loss:	
Federal	\$ 177,956
State	<u>26,170</u>
	204,126
Valuation allowance	<u>(204,126)</u>
Net deferred tax asset	<u>\$ 0</u>

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

**AMERICAN SEXUAL HEALTH ASSOCIATION AND SUBSIDIARY**

**NOTE 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, 2016:

		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
<u>June 30, 2016</u>	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Cash equivalents	\$ 217,766	\$ 217,766	\$ 0	\$ 0
Investments	<u>544,013</u>	<u>544,013</u>	<u>0</u>	<u>0</u>
	<u>\$ 761,779</u>	<u>\$ 761,779</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, 2016, 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 January 12, 2017, the date on which financial statements were available for issue.

## SUPPLEMENTARY INFORMATION



CONSOLIDATING STATEMENT OF FINANCIAL POSITION

American Sexual Health Association and Subsidiary

June 30, 2016

	ASHA	Empatha	Elimination Entries	Consolidated Totals
<b>Assets:</b>				
Cash and cash equivalents	\$ 276,714	\$	\$	\$ 276,714
Investments	544,013			544,013
Accounts receivable, contracts and grants	182,247			182,247
Accounts receivable, other	7,876			7,876
Due from subsidiary/parent	770,975	247,576	(1,018,551)	0
Investment in subsidiary	(523,399)		523,399	0
Inventory	5,449			5,449
Prepaid expenses	3,364			3,364
Property and equipment, net	21,622			21,622
<b>TOTAL ASSETS</b>	<u>\$ 1,288,861</u>	<u>\$ 247,576</u>	<u>\$ (495,152)</u>	<u>\$ 1,041,285</u>
<b>Liabilities and Net Assets/Stockholder's Deficit:</b>				
Accounts payable and accrued expenses	\$ 61,333	\$	\$	\$ 61,333
Due to subsidiary/parent	247,576	770,975	(1,018,551)	0
Accrued payroll and related liabilities	33,072			33,072
Accrued vacation	38,420			38,420
Deferred lease buyout	13,932			13,932
<b>TOTAL LIABILITIES</b>	<u>394,333</u>	<u>770,975</u>	<u>(1,018,551)</u>	<u>146,757</u>
<b>Net Assets:</b>				
Unrestricted	604,418			604,418
Temporarily restricted	190,110			190,110
Permanently restricted	100,000			100,000
	<u>894,528</u>	<u>0</u>	<u>0</u>	<u>894,528</u>
<b>Stockholder's Deficit:</b>				
Common stock, no par value; 10,000 shares authorized, issued and outstanding				0
Accumulated deficit		(523,399)	523,399	0
<b>TOTAL STOCKHOLDER'S DEFICIT</b>	<u>0</u>	<u>(523,399)</u>	<u>523,399</u>	<u>0</u>
<b>TOTAL LIABILITIES AND NET ASSETS / STOCKHOLDER'S DEFICIT</b>	<u>\$ 1,288,861</u>	<u>\$ 247,576</u>	<u>\$ (495,152)</u>	<u>\$ 1,041,285</u>

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

CONSOLIDATING STATEMENT OF ACTIVITIES

American Sexual Health Association and Subsidiary

Year Ended June 30, 2016

	ASHA						
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Empatha	Elimination Entries	Consolidated Totals
<b>Support and Revenue:</b>							
Contracts and grants	\$ 214,740	\$ 367,500	\$	\$ 582,240	\$ 435,959	\$	\$ 1,018,199
Individual and business contributions	86,051	127,066		213,117			213,117
Cy pres settlement funds	500,000			500,000			500,000
Sales of literature and educational materials	48,853			48,853			48,853
Interest and dividends, net of fees	(77)	(61)		(138)			(138)
Net realized gain (loss) on investments	1,349	502		1,851			1,851
Net unrealized gain (loss) on investments	(9,873)	(2,526)		(12,399)			(12,399)
Other income	68,211			68,211			68,211
Management fee income	41,416			41,416		(41,416)	0
Interest in subsidiary's net income (loss)	(66,219)			(66,219)		66,219	0
Net assets released from restrictions	403,619	(403,619)		0			0
<b>TOTAL SUPPORT AND REVENUE</b>	<b>1,288,070</b>	<b>88,862</b>	<b>0</b>	<b>1,376,932</b>	<b>435,959</b>	<b>24,803</b>	<b>1,837,694</b>
<b>Expenses:</b>							
Salaries and wages	508,374			508,374	242,341		750,715
Payroll taxes and fringe benefits	115,790			115,790	41,625		157,415
Professional services/ consultants	206,718			206,718	74,604		281,322
Accounting and audit fees	67,955			67,955			67,955
Occupancy	29,012			29,012	28,509		57,521
Telephone/internet	51,774			51,774	54,915		106,689
Printing and publications	18,352			18,352	15		18,367
Postage and shipping	8,115			8,115	93		8,208
Transportation and travel	48,937			48,937	4,587		53,524
Conferences and meetings	31,435			31,435	1,052		32,487
Equipment rental and maintenance	21,105			21,105	2,314		23,419
Advertising	3,120			3,120	72		3,192
Insurance	16,031			16,031			16,031
Office supplies and expenses	10,534			10,534	1,910		12,444
Dues and reference materials	14,497			14,497	540		15,037
Interest expense	357			357			357
Other bank charges	6,863			6,863			6,863
Chapter expenses	79,754			79,754			79,754
Depreciation	8,108			8,108	7,282		15,390
Management fee				0	41,416	(41,416)	0
Loss on inventory write-off	1,038			1,038			1,038
Miscellaneous	35,273			35,273	903		36,176
<b>TOTAL EXPENSES</b>	<b>1,283,142</b>	<b>0</b>	<b>0</b>	<b>1,283,142</b>	<b>502,178</b>	<b>(41,416)</b>	<b>1,743,904</b>
<b>CHANGE IN NET ASSETS / NET INCOME</b>	<b>\$ 4,928</b>	<b>\$ 88,862</b>	<b>\$ 0</b>	<b>\$ 93,790</b>	<b>\$ (66,219)</b>	<b>\$ 66,219</b>	<b>\$ 93,790</b>
Net assets / accumulated deficit, beginning of year	\$ 599,490	\$ 101,248	\$ 100,000	\$ 800,738	\$ (457,180)	\$ 457,180	\$ 800,738
Change in net assets / net income	4,928	88,862	0	93,790	(66,219)	66,219	93,790
<b>NET ASSETS / ACCUMULATED DEFICIT, END OF YEAR</b>	<b>\$ 604,418</b>	<b>\$ 190,110</b>	<b>\$ 100,000</b>	<b>\$ 894,528</b>	<b>\$ (523,399)</b>	<b>\$ 523,399</b>	<b>\$ 894,528</b>

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