

National Family Planning & Reproductive Health Association, Inc.

**Financial Statements Together with
Report of Independent Public Accountants**

For the Years Ended June 30, 2019 and 2018



SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

JUNE 30, 2019 AND 2018

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors
National Family Planning and Reproductive
Health Association, Inc.

Report on the Financial Statements

We have audited the accompanying statements of financial position of the National Family Planning and Reproductive Health Association, Inc. (the Association) as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expense, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the 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 controls. 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 financial statements.

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



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Washington, D.C.
September 9, 2019

SB & Company, LLC

NATIONAL FAMILY PLANNING & REPRODUCTIVE HEALTH ASSOCIATION, INC.

Statements of Financial Position
As of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 3,174,258	\$ 3,313,217
Investments	1,585,831	486,634
Investments - deferred compensation agreement	89,041	65,049
Grants and accounts receivable	470,498	602,444
Prepaid expenses and other assets	86,343	157,562
Furniture and equipment, net	103,465	126,247
Deposits	52,849	62,623
Total Assets	<u><u>\$ 5,562,285</u></u>	<u><u>\$ 4,813,776</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 175,681	\$ 129,697
Security deposit	-	10,401
Deferred revenue	245,354	179,063
Deferred compensation agreement	89,041	65,049
Deferred rent	196,442	191,489
Total Liabilities	<u><u>706,518</u></u>	<u><u>575,699</u></u>
Net Assets		
Without donor restrictions:		
Unrestricted	1,482,400	970,356
Management designated	83,727	-
Board designated	527,382	496,771
Total without donor restrictions	<u>2,093,509</u>	<u>1,467,127</u>
With donor restrictions	2,762,258	2,770,950
Total Net Assets	<u><u>4,855,767</u></u>	<u><u>4,238,077</u></u>
Total Liabilities and Net Assets	<u><u>\$ 5,562,285</u></u>	<u><u>\$ 4,813,776</u></u>

The accompanying notes are an integral part of these financial statements.

NATIONAL FAMILY PLANNING & REPRODUCTIVE HEALTH ASSOCIATION, INC.

Statements of Activities and Changes in Net Assets
For the Year Ended June 30, 2019, with Comparative 2018 Total

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and Other Support				
Membership income	\$ 336,950	\$ -	\$ 336,950	\$ 280,419
National conference	227,840	-	227,840	286,938
Corporate grant	35,708	-	35,708	22,200
Contributions and grant revenue	2,361,756	2,702,758	5,064,514	4,887,946
Investment income	45,510	-	45,510	24,508
In-kind contributions	3,710,500	-	3,710,500	1,581,000
Miscellaneous	88,832	-	88,832	141,776
Total Revenue	6,807,096	2,702,758	9,509,854	7,224,787
Revenue released from restrictions	2,711,450	(2,711,450)	-	-
Total Revenue and Other Support	9,518,546	(8,692)	9,509,854	7,224,787
Expenses				
Program services:				
Policy and communication	838,833	-	838,833	1,033,191
Membership	209,515	-	209,515	178,949
National conference	711,920	-	711,920	757,481
Advocacy and education	7,778	-	7,778	14,801
Meetings/councils	384,004	-	384,004	530,076
Directed initiatives	645,704	-	645,704	899,211
Service delivery improvement	462,401	-	462,401	507,723
Health care strategy and analysis	4,069,198	-	4,069,198	1,803,110
Total program services	7,329,353	-	7,329,353	5,724,542
Supporting services:				
Management and general	1,257,349	-	1,257,349	889,342
Fundraising	305,462	-	305,462	334,898
Total supporting services	1,562,811	-	1,562,811	1,224,240
Total Expenses	8,892,164	-	8,892,164	6,948,782
Changes in net assets	626,382	(8,692)	617,690	276,005
Net assets, beginning of year	1,467,127	2,770,950	4,238,077	3,962,072
Net Assets, End of Year	\$ 2,093,509	\$ 2,762,258	\$ 4,855,767	\$ 4,238,077

The accompanying notes are an integral part of these financial statements.

NATIONAL FAMILY PLANNING & REPRODUCTIVE HEALTH ASSOCIATION, INC.

**Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Other Support			
Membership income	\$ 280,419	\$ -	\$ 280,419
National conference	286,938	-	286,938
Corporate grant	22,200	-	22,200
Contributions and grant revenue	2,312,304	2,575,642	4,887,946
Investment income	24,508	-	24,508
Exchange-Traded Funds	1,581,000	-	1,581,000
Miscellaneous	141,776	-	141,776
Total revenue	<u>4,649,145</u>	<u>2,575,642</u>	<u>7,224,787</u>
Revenue released from restrictions	3,086,802	(3,086,802)	-
Total Revenue and Other Support	<u>7,735,947</u>	<u>(511,160)</u>	<u>7,224,787</u>
Expenses			
Program services:			
Policy and communication	1,033,191	-	1,033,191
Membership	178,949	-	178,949
National conference	757,481	-	757,481
Advocacy and education	14,801	-	14,801
Meetings/councils	530,076	-	530,076
Directed initiatives	899,211	-	899,211
Service delivery improvement	507,723	-	507,723
Health care strategy and analysis	1,803,110	-	1,803,110
Total program services	<u>5,724,542</u>	<u>-</u>	<u>5,724,542</u>
Supporting services:			
Management and general	889,342	-	889,342
Fundraising	334,898	-	334,898
Total supporting services	<u>1,224,240</u>	<u>-</u>	<u>1,224,240</u>
Total Expenses	<u>6,948,782</u>	<u>-</u>	<u>6,948,782</u>
Changes in net assets	787,165	(511,160)	276,005
Net assets, beginning of year	679,962	3,282,110	3,962,072
Net Assets, End of Year	<u>\$ 1,467,127</u>	<u>\$ 2,770,950</u>	<u>\$ 4,238,077</u>

The accompanying notes are an integral part of these financial statements.

NATIONAL FAMILY PLANNING & REPRODUCTIVE HEALTH ASSOCIATION, INC.

Statement of Functional Expense
For the Year Ended June 30, 2019, with Comparative 2018 Totals

	2019												Total Supporting Services	Total	2018 Total
	Program Services						Supporting Services								
	Policy and Communication	Membership	National Conference	Advocacy and Education	Meetings/ Councils	Directed Initiatives	Service Delivery Improvement	Health Care Strategy and Analysis	Total Program Services	Management and General	Fundraising				
Salaries and wages	\$ 415,040	\$ 103,662	\$ 119,596	\$ 4,768	\$ 69,323	\$ 268,543	\$ 252,337	\$ 202,660	\$ 1,435,929	\$ 653,743	\$ 152,157	\$ 805,900	\$ 2,241,829	\$ 2,147,337	
Fringe benefits	94,211	23,582	27,207	1,292	15,770	44,580	57,405	46,103	310,150	148,721	34,615	183,336	493,486	429,784	
Representation/sponsorship	5,970	22,467	-	-	-	-	425	-	28,862	1,200	1,675	2,875	31,737	15,615	
Office supplies	1,657	4,129	8,375	23	772	2,128	1,663	811	19,558	3,122	643	3,765	23,323	25,190	
Postage and shipping	263	1,317	1,718	13	1,995	899	228	47	6,480	560	34	594	7,074	2,866	
Design and printing	15,140	11,958	23,847	-	5,812	103,590	551	-	160,898	419	9,445	9,864	170,762	109,788	
Office telephone	3,099	763	880	42	510	1,985	2,059	1,642	10,980	6,220	1,120	7,340	18,320	27,346	
IT services	18,261	4,571	5,274	250	3,057	9,684	11,252	8,937	61,286	39,784	6,710	46,494	107,780	110,939	
Business insurance	2,384	597	688	33	399	1,221	1,453	1,167	7,942	4,741	876	5,617	13,559	14,627	
Bank and credit card fees	2,766	692	799	38	463	1,221	1,685	1,354	9,018	5,591	1,018	6,609	15,627	15,919	
Travel	10,544	5,414	128,006	60	105,129	48,242	33,000	4,404	334,799	80,481	4,426	84,907	419,706	494,661	
Meeting expenses	1,687	5,709	359,925	-	158,420	3,729	17,275	3	546,748	25,826	66	25,892	572,640	551,221	
Miscellaneous expense	423	248	104	-	15	160	1,166	50	2,166	5,011	35	5,046	7,212	6,137	
Consultants	146,919	1,356	9,595	74	6,357	120,169	18,753	48,152	351,375	89,219	47,437	136,656	488,031	766,910	
Legal fees	6,469	1,619	1,868	89	1,083	2,812	3,941	3,713,665	3,731,546	13,269	9,670	22,939	3,754,485	1,623,581	
Audit/accounting services	2,927	733	845	40	490	1,221	1,784	1,433	9,473	5,951	1,076	7,027	16,500	16,199	
Dues and subscriptions	33,341	690	56	3	753	6,270	8,273	1,159	50,545	8,658	6,040	14,698	65,243	52,843	
Equipment rental/maintenanc	2,130	692	1,556	29	356	3,595	1,298	1,042	10,698	2,469	782	3,251	13,949	14,849	
Professional development	874	610	-	-	790	5,606	2,319	-	10,199	286	179	465	10,664	15,720	
Office rent	63,303	15,846	18,281	868	10,597	13,629	38,572	30,978	192,074	135,296	23,259	158,555	350,629	436,841	
Pass-thru grants	-	-	-	-	-	-	-	-	-	-	-	-	-	1,000	
UBTI Tax expense	-	-	-	-	-	-	-	-	-	2,474	-	2,474	2,474	-	
Depreciation	11,425	2,860	3,300	156	1,913	6,420	6,962	5,591	38,627	24,308	4,199	28,507	67,134	69,409	
Total	\$ 838,833	\$ 209,515	\$ 711,920	\$ 7,778	\$ 384,004	\$ 645,704	\$ 462,401	\$ 4,069,198	\$ 7,329,353	\$ 1,257,349	\$ 305,462	\$ 1,562,811	\$ 8,892,164	\$ 6,948,782	

The accompanying notes are an integral part of this financial statement.

NATIONAL FAMILY PLANNING & REPRODUCTIVE HEALTH ASSOCIATION, INC.

Statement of Functional Expense
For the Year Ended June 30, 2018

	Program Services								Supporting Services			
	Policy and Communication	Membership	National Conference	Advocacy and Education	Meetings/ Councils	Directed Initiatives	Service Delivery Improvement	Health Care Strategy and Analysis	Total Program Services	Management and General	Fundraising	Total Supporting Services
Salaries and wages	\$ 570,643	\$ 105,361	\$ 186,731	\$ 9,315	\$ 76,725	\$ 114,331	\$ 282,212	\$ 128,476	\$ 1,473,794	\$ 474,448	\$ 199,095	\$ 673,543
Fringe benefits	115,515	21,037	37,284	1,860	15,319	20,927	56,348	25,652	293,942	96,089	39,753	135,842
Representation/sponsorship	3,250	5,865	-	-	-	-	-	-	9,115	6,500	-	6,500
Office supplies	3,059	557	10,477	49	415	4,502	1,528	679	21,266	2,871	1,053	3,924
Postage and shipping	250	270	263	3	697	205	128	46	1,862	933	71	1,004
Design and printing	15,611	350	19,438	-	619	72,686	1,030	-	109,734	54	-	54
Office telephone	3,432	4,120	1,175	55	451	10,881	1,674	755	22,543	3,633	1,170	4,803
IT services	28,975	6,389	9,330	465	3,851	7,758	14,100	6,419	77,287	23,705	9,947	33,652
Business insurance	4,128	752	1,332	66	547	65	2,014	917	9,821	3,385	1,421	4,806
Bank and credit card fees	3,102	565	1,001	50	411	4,977	1,513	689	12,308	2,544	1,067	3,611
Travel	13,720	3,576	148,056	514	189,114	39,591	29,714	2,216	426,501	61,389	6,771	68,160
Meeting expenses	1,525	456	276,909	-	215,601	8,769	4,113	2,379	509,752	41,469	-	41,469
Miscellaneous expense	347	52	1,650	-	150	-	-	-	2,199	3,903	35	3,938
Consultants	100,217	495	15,802	44	6,585	550,161	29,965	20,603	723,872	30,025	13,013	43,038
Legal fees	10,160	1,850	3,279	164	1,347	159	4,956	1,583,256	1,605,171	9,123	9,287	18,410
Audit/accounting services	4,572	833	1,476	74	606	71	2,230	1,015	10,877	3,749	1,573	5,322
Dues and subscriptions	21,161	-	-	-	-	12,372	7,121	-	40,654	8,185	4,004	12,189
Equipment rental/maintenance	3,550	647	1,496	57	471	1,974	1,732	788	10,715	2,912	1,222	4,134
Professional development	525	1,199	-	-	-	-	4,199	473	6,396	8,456	868	9,324
Office rent	110,780	20,175	35,756	1,784	14,691	46,230	54,039	24,601	308,056	90,662	38,123	128,785
Pass-thru grants	-	1,000	-	-	-	-	-	-	1,000	-	-	-
Depreciation	18,669	3,400	6,026	301	2,476	3,552	9,107	4,146	47,677	15,307	6,425	21,732
Total	<u>\$ 1,033,191</u>	<u>\$ 178,949</u>	<u>\$ 757,481</u>	<u>\$ 14,801</u>	<u>\$ 530,076</u>	<u>\$ 899,211</u>	<u>\$ 507,723</u>	<u>\$ 1,803,110</u>	<u>\$ 5,724,542</u>	<u>\$ 889,342</u>	<u>\$ 334,898</u>	<u>\$ 1,224,240</u>

The accompanying notes are an integral part of this financial statement.

NATIONAL FAMILY PLANNING & REPRODUCTIVE HEALTH ASSOCIATION, INC.

Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 617,690	\$ 276,005
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	67,134	69,409
Unrealized loss (gain) on investments	6,080	(14,066)
Effect of changes in non-cash operating and liabilities:		
Grants and accounts receivable	131,946	(442,056)
Prepaid expenses	71,219	(86,531)
Deposits	9,774	-
Accounts payable and accrued liabilities	45,984	(39,507)
Security deposit and other assets	(10,401)	-
Deferred revenue	66,291	(7,181)
Deferred compensation agreement	23,992	20,201
Deferred rent	4,953	98,192
Net Cash Flow from Operating Activities	<u>1,034,662</u>	<u>(125,534)</u>
 Cash Flow from Investing Activities		
Purchase of equipment	(44,352)	(1,243)
Purchase of investments	(5,621,233)	(3,778,352)
Sale of investments	4,491,964	3,285,583
Net Cash from Investing Activities	<u>(1,173,621)</u>	<u>(494,012)</u>
 Net change in cash and cash equivalents	(138,959)	(619,546)
Cash and cash equivalents, beginning of year	3,313,217	3,932,763
Cash and cash equivalents, End of Year	<u>\$ 3,174,258</u>	<u>\$ 3,313,217</u>

The accompanying notes are an integral part of these financial statements.

NATIONAL FAMILY PLANNING & REPRODUCTIVE HEALTH ASSOCIATION, INC.

Notes to the Financial Statements June 30, 2019 and 2018

1. ORGANIZATION

The National Family Planning and Reproductive Health Association, Inc. (the Association) is a non-profit membership organization founded in 1971 and incorporated on July 18, 1973. The general purpose of the Association is to coordinate and improve the distribution of family planning services and materials.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investment funds, which have a maturity of 90 days or less. Cash equivalents as of June 30, 2019 and 2018, consisted of money market funds.

Grants Receivable

The Association receives grants from various entities and records amounts due as a receivable when earned. Estimated losses are based on historical collection experience and the review of the current status of existing receivables. Management believes all grants receivable are collectible as of June 30, 2019 and 2018, and a reserve for estimated losses has not been recorded.

Notes to the Financial Statements
June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under generally accepted accounting principles are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Furniture and Equipment

Property and equipment purchases in excess of \$1,000 with an estimated useful life of more than one year are capitalized at cost and depreciated over the estimated useful lives of the assets using the straight-line method.

NATIONAL FAMILY PLANNING & REPRODUCTIVE HEALTH ASSOCIATION, INC.

Notes to the Financial Statements June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

Net assets without donor restrictions are assets and contributions that are not restricted by donors or for which restrictions have expired. The board designated net asset amounts as of June 30, 2019 and 2018, was designated by the Board for future spending as they deem appropriate. The management designated net assets as of June 30, 2019, represents a gift received from an estate during the current year which management will invest in long-term vehicles for future needs.

Net assets with donor restrictions are those whose use by the Association has been restricted by donors primarily for a specific time period or purpose. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions. If a donor restriction is met in the same reporting period in which the contribution is received, the contributions (to the extent that the restrictions have been met) are reported as net assets without donor restrictions.

Restricted and Unrestricted Support and Revenue

Contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities and changes in net assets as revenue released from restrictions.

Contributions and gifts in investments are liquidated upon receipt.

Revenue Recognition

Membership dues are recognized as revenue in the membership period to which the dues relate. Accordingly, dues paid by members in advance of the membership period are reported as deferred revenue in the accompanying statements of financial position.

Revenue and the related costs of the conference and continuing education are recognized in the year in which the conference or seminars are held. Accordingly, sponsorships paid by sponsors in advance of the conference year are reported as deferred revenue in the accompanying statements of financial position.

NATIONAL FAMILY PLANNING & REPRODUCTIVE HEALTH ASSOCIATION, INC.

Notes to the Financial Statements June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Unrestricted contributions and grants are reported as revenue in the year in which the payments are received and/or unconditional promises are made. Conditional grants are recognized when the condition has been met.

The Association is supported primarily through membership income, corporate grants, and contribution and grant revenue, which represented 57% and 72% of revenue for the years ended June 30, 2019 and 2018, respectively.

In-Kind Contributions

Contributed services are recognized when they require specialized skills and would be paid for if they were not provided. In-kind contributions for the years ended June 30, 2019 and 2018, were \$3,710,500 and \$1,581,000, respectively, and was related to donated legal services. Management of the Association obtained the value of the in-kind services based on the hours donated and the market rate for the value of the time based on information provided by the donor of the services.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the program and supporting services that benefit from those costs. Management and general expenses include those expenses that are not directly identified with any other specific function but provide for the overall support and direction of the Association.

The Association reports certain expense categories that are attributable to more than one program service or support function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation, and office rent, are allocated to a function based on time worked. Additionally, other cost allocations that are not allocated on time worked are otherwise allocated based on an agreed-upon rate outlined in contractual agreements.

Income Tax

The Association is exempt from the payment of income taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code.

NATIONAL FAMILY PLANNING & REPRODUCTIVE HEALTH ASSOCIATION, INC.

Notes to the Financial Statements June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax (continued)

The provisions included in accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The Association performed an evaluation of uncertain tax positions as of June 30, 2019 and 2018, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2019, the statute of limitations for fiscal years 2016 through 2019, remain open with the U.S. Federal jurisdiction or the state and local jurisdiction in which the Association files tax returns. It is the Association's policy to recognize interest and/or penalties related to uncertain tax positions, if any, as income tax expense.

Liquidity and Availability of Resources

The following reflects the Association's financial assets as of June 30, 2019, reduced by amounts not available for general use because of donor-imposed restriction.

Cash and cash equivalents	\$ 3,174,258
Investments	1,585,831
Grants receivable	470,498
	<u>5,230,587</u>
Less: net assets with donor restrictions	<u>2,762,258</u>
Financial assets available to meet cash needs for general expenses within one year	<u>\$ 2,468,329</u>

As of June 30, 2019, the Association has working capital of \$2,468,329, an average of 180 days of cash on hand.

The Association receives contributions, which may be restricted by donors. The Association considers contributions restricted when they are to be used in a specific manner or future period, as outlined in the grant agreement. The Association manages its liquidity following two guiding principles: operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs.

As part of the Association's liquidity management plan, cash in excess of the 180-day requirements are invested in short-term investments and money market funds.

NATIONAL FAMILY PLANNING & REPRODUCTIVE HEALTH ASSOCIATION, INC.

Notes to the Financial Statements June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liquidity and Availability of Resources (continued)

The Board designated funds can be drawn down by management upon approval from the Board of directors, if necessary, to meet unexpected liquidity needs. The management designated funds are set aside for long-term investments and future use when needed.

Implemented Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). These amendments change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: Net Asset Classes, Investment Returns, Expenses, Liquidity and Availability of Resources, and Presentation of Operating Cash Flows. The amendments in this ASU are effective for fiscal years after December 15, 2017. The Association implemented ASU 2016-14 for the year ended June 30, 2019. Due to the adoption of this ASU, the presentation of these financial statements and footnotes were updated accordingly.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, that creates a singular reporting model for leases. This standard will require the Association to record changes to its statement of financial position to reflect balances for current leases that are not shown in the statement of financial position. In July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842, Leases and Leases (Topic 842): Targeted Improvements*, which provide further clarity and transition options for adoption of FASB ASU N. 2016-02. In July 2019, the FASB has postponed the implementation of these pronouncements.

In September 2017, the FASB issued ASU No. 2017-13, *Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842)*, that provides clarification on certain topics related to these topics. These standards are effective when the related previous amended standards become effective.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, that improves the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprise. This standard is effective for periods beginning after December 15, 2019.

Notes to the Financial Statements
June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (continued)

Management is evaluating the effects of these pronouncements on the financial statements and will implement these pronouncements by their effective dates. Management does not believe the adoption of these pronouncements will have a material effect on the financial statements.

Subsequent Events

The Association evaluated the accompanying financial statements for subsequent events and transactions through September 9, 2019, the date these financial statements were available for issue and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

3. INVESTMENTS

The following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used as of June 30, 2019 and 2018.

Exchange-traded funds and mutual funds: Valued at the investments' values of shares held by the Association at year end, based on the active markets on which they trade.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NATIONAL FAMILY PLANNING & REPRODUCTIVE HEALTH ASSOCIATION, INC.

Notes to the Financial Statements
June 30, 2019 and 2018

3. INVESTMENTS (continued)

The following table sets forth, by level, the fair value hierarchy of the Association's investments at fair value as of June 30, 2019 and 2018, were as follows:

June 30, 2019				
	Level 1	Level 2	Level 3	Total
Exchange-Traded Funds	\$ 108,410	\$ -	\$ -	\$ 108,410
Certificate of Deposits	1,065,893	-	-	1,065,893
Mutual Funds	500,569	-	-	500,569
Total	\$ 1,674,872	\$ -	\$ -	\$ 1,674,872

June 30, 2018				
	Level 1	Level 2	Level 3	Total
Exchange-Traded Funds	\$ 100,374	\$ -	\$ -	\$ 100,374
Mutual Funds	451,309	-	-	451,309
Total	\$ 551,683	\$ -	\$ -	\$ 551,683

For the years ended June 30, 2019 and 2018, investment income consisted of the following:

	2019	2018
Interest and dividends	\$ 51,546	\$ 30,947
Realized gain (loss)	44	(20,505)
Unrealized (loss) gain	(6,080)	14,066
Total	\$ 45,510	\$ 24,508

As of June 30, 2019 and 2018, investments consisted of the following fair values:

June 30, 2019			
	Cost	Unrealized Gain	Market Value
Exchange-Traded Funds	\$ 100,487	\$ 7,923	\$ 108,410
Certificate of Deposits	1,063,000	2,893	1,065,893
Mutual Funds	498,132	2,437	500,569
Total	\$ 1,661,619	\$ 13,253	\$ 1,674,872

June 30, 2018			
	Cost	Unrealized (Loss) Gain	Market Value
Exchange-Traded Funds	\$ 100,487	\$ (113)	\$ 100,374
Mutual Funds	431,863	19,446	451,309
Total	\$ 532,350	\$ 19,333	\$ 551,683

NATIONAL FAMILY PLANNING & REPRODUCTIVE HEALTH ASSOCIATION, INC.

**Notes to the Financial Statements
June 30, 2019 and 2018**

4. FURNITURE AND EQUIPMENT

As of June 30, 2019 and 2018, furniture and equipment consisted of the following:

	<u>2019</u>	<u>2018</u>	<u>Useful Life</u>
Leasehold improvements	\$ 21,436	\$ 21,436	Life of lease
Furniture and equipment	606,982	562,630	3-5 years
	628,418	584,066	
Less: accumulated depreciation	524,953	457,819	
Furniture and equipment, net	\$ 103,465	\$ 126,247	

Depreciation expense was \$67,134 and \$69,409, for the years ended June 30, 2019 and 2018, respectively.

5. RESTRICTIONS ON NET ASSETS

Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30, 2019 and 2018, consisted of the following:

	<u>2019</u>	<u>2018</u>
Time restricted	\$ 2,382,988	\$ 2,597,711
Anonymous I	179,571	123,239
Anonymous II	141,476	-
Legal Research	58,223	-
Family Planning is the Foundation Project	-	50,000
Total	\$ 2,762,258	\$ 2,770,950

The Association released \$2,711,450, from restrictions during the year ended June 30, 2019, of which \$2,592,375 and \$119,075, was related to the restriction of time and purpose, respectively. The Association released \$3,086,802, from restrictions during the year ended June 30, 2018, of which \$2,616,896 and \$469,906, was related to the restriction of time and purpose, respectively.

NATIONAL FAMILY PLANNING & REPRODUCTIVE HEALTH ASSOCIATION, INC.

Notes to the Financial Statements June 30, 2019 and 2018

6. COMMITMENTS AND CONTINGENCIES

In September of 2016, the Association entered into a lease that expires on January 1, 2028. The minimum future lease payments as of June 30, 2019, were as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2020	\$ 224,441
2021	230,052
2022	235,788
2023	241,679
2024	247,724
Thereafter	938,865
Total	<u><u>\$ 2,118,549</u></u>

As part of this agreement the Association received a rent abatement for the first 10 months of this lease. The effects of this abatement will be recognized as rent expense over the life of the lease and is recorded as deferred rent in the accompanying statements of financial position.

The Association also had a lease for office space that expired on January 31, 2019, which was subleased. The Association did not renew the lease.

The rent expense for the years ended June 30, 2019 and 2018, was \$350,629 and \$436,841, respectively, for these two leases.

The rent revenue for the years ended June 30, 2019 and 2018, were \$85,584 and \$140,168, respectively, and is included in the miscellaneous revenue on the statements of activities and changes in net assets.

7. RETIREMENT PLANS

The Association maintains a 403(b)-tax deferred annuity plan for all eligible employees. In order to participate in the plan an employee must have six months of service and attain age 20 ½. Each plan year (July 1, through June 30), the Association makes a discretionary contribution to each eligible participant's account in the amount of 6% of the plan participant's compensation. The Association's contribution to the plan for the years ended June 30, 2019 and 2018, was \$122,494 and \$120,585, respectively.

The Association also maintains a non-qualified Section 457 Supplemental Employee Pension Plan (the Plan). Under the Plan, the Association defers compensation to the President/CEO. During the years ended June 30, 2019 and 2018, the Association contributed \$16,353 and \$15,360, respectively. The liability related to the deferred compensation and the investment balance funding that liability of \$89,041 and \$65,049, has been recorded in the accompanying statements of financial position as of June 30, 2019 and 2018, respectively.