

EngenderHealth, Inc.

Financial Statements

June 30, 2016 and 2015

Independent Auditors' Report

Board of Directors EngenderHealth, Inc.

We have audited the accompanying financial statements of EngenderHealth, Inc., which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses 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 control relevant to the preparation and fair presentation of 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 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 control 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of EngenderHealth, Inc. as of June 30, 2016 and 2015, 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.

PKF O'Connor Davies, LLP

December 20, 2016

EngenderHealth, Inc.

Statements of Financial Position

	June 30	
	2016	2015
ASSETS		
Cash and cash equivalents	\$ 10,570,906	\$ 9,885,227
Grants and contracts receivable, net of allowance of \$40,286 and \$29,530 in 2016 and 2015	721,311	544,392
Prepaid expenses and other assets	1,533,033	2,170,015
Contributions receivable, net (Note 6)	23,753,760	23,681,925
Investments (Note 4)	2,995,013	3,065,065
Property and equipment, net (Note 7)	3,247,578	3,590,535
Postretirement health benefits asset (Note 10)	299,528	548,781
Restricted investments (Notes 4 and 10)	3,344,876	3,344,876
	\$ 46,466,005	\$ 46,830,816
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses (Note 11)	\$ 9,308,038	\$ 7,844,419
Advances from U.S. Agency for International Development (USAID)	2,740,254	2,702,162
Annuities payable	358,193	404,858
Total Liabilities	12,406,485	10,951,439
 Net Assets		
Unrestricted	1,278,360	2,773,247
Temporarily restricted (Notes 8 and 9)	29,436,284	29,761,254
Permanently restricted (Note 9)	3,344,876	3,344,876
Total Net Assets	34,059,520	35,879,377
	\$ 46,466,005	\$ 46,830,816

See notes to financial statements

EngenderHealth, Inc.

Statement of Activities Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES AND OTHER SUPPORT				
USAID, DHHS and other grants (Note 12)	\$ 41,074,149	\$ -	\$ -	\$ 41,074,149
Contributions and private grants	2,371,447	16,861,134	-	19,232,581
Net assets released from restrictions	<u>17,160,112</u>	<u>(17,160,112)</u>	-	<u>-</u>
Total Operating Revenues and Other Support	<u>60,605,708</u>	<u>(298,978)</u>	-	<u>60,306,730</u>
OPERATING EXPENSES				
Program Services				
Reproductive health services	<u>49,662,749</u>	-	-	<u>49,662,749</u>
Supporting Services				
Management and general	9,779,788	-	-	9,779,788
Fundraising	<u>1,028,299</u>	-	-	<u>1,028,299</u>
Total Supporting Services	<u>10,808,087</u>	-	-	<u>10,808,087</u>
Total Operating Expenses	<u>60,470,836</u>	-	-	<u>60,470,836</u>
Change in Net Assets from Operating Activities before Depreciation	134,872	(298,978)	-	(164,106)
Depreciation	<u>(1,086,118)</u>	-	-	<u>(1,086,118)</u>
Change in Net Assets from Operating Activities	<u>(951,246)</u>	<u>(298,978)</u>	-	<u>(1,250,224)</u>
NON OPERATING ACTIVITIES				
Investment return (Note 4)	(61,637)	(72,657)	-	(134,294)
Change in value of split-interest agreements	-	46,665	-	46,665
Pension-related and post retirement healthcare				
benefits changes other than net periodic cost (Note 10)	<u>(482,004)</u>	-	-	<u>(482,004)</u>
Change in Net Assets	<u>(1,494,887)</u>	<u>(324,970)</u>	-	<u>(1,819,857)</u>
NET ASSETS				
Beginning of year	<u>2,773,247</u>	<u>29,761,254</u>	<u>3,344,876</u>	<u>35,879,377</u>
End of year	<u>\$ 1,278,360</u>	<u>\$ 29,436,284</u>	<u>\$ 3,344,876</u>	<u>\$ 34,059,520</u>

See notes to financial statements

EngenderHealth, Inc.

Statement of Activities Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES AND OTHER SUPPORT				
USAID, DHHS and other grants (Note 12)	\$ 37,734,276	\$ -	\$ -	\$ 37,734,276
Contributions and private grants	3,987,957	15,797,136	-	19,785,093
Net assets released from restrictions	<u>13,526,897</u>	<u>(13,526,897)</u>	-	<u>-</u>
Total Operating Revenues and Other Support	<u>55,249,130</u>	<u>2,270,239</u>	<u>-</u>	<u>57,519,369</u>
OPERATING EXPENSES				
Program Services				
Reproductive health services	<u>41,837,656</u>	<u>-</u>	<u>-</u>	<u>41,837,656</u>
Supporting Services				
Management and general	9,978,082	-	-	9,978,082
Fundraising	<u>1,014,490</u>	<u>-</u>	<u>-</u>	<u>1,014,490</u>
Total Supporting Services	<u>10,992,572</u>	<u>-</u>	<u>-</u>	<u>10,992,572</u>
Total Operating Expenses	<u>52,830,228</u>	<u>-</u>	<u>-</u>	<u>52,830,228</u>
Change in Net Assets from				
Operating Activities before Depreciation	2,418,902	2,270,239	-	4,689,141
Depreciation	<u>(1,034,935)</u>	<u>-</u>	<u>-</u>	<u>(1,034,935)</u>
Change in Net Assets from Operating Activities	<u>1,383,967</u>	<u>2,270,239</u>	<u>-</u>	<u>3,654,206</u>
NON OPERATING ACTIVITIES				
Investment return (Note 4)	20,645	(63,171)	-	(42,526)
Change in value of split-interest agreements	-	26,880	-	26,880
Pension-related and post retirement healthcare				
benefits changes other than net periodic cost (Note 10)	<u>2,000,327</u>	<u>-</u>	<u>-</u>	<u>2,000,327</u>
Change in Net Assets (Deficit)	<u>3,404,939</u>	<u>2,233,948</u>	<u>-</u>	<u>5,638,887</u>
NET ASSETS (DEFICIT)				
Beginning of year	<u>(631,692)</u>	<u>27,527,306</u>	<u>3,344,876</u>	<u>30,240,490</u>
End of year	<u>\$ 2,773,247</u>	<u>\$ 29,761,254</u>	<u>\$ 3,344,876</u>	<u>\$ 35,879,377</u>

See notes to financial statements

EngenderHealth, Inc.

Statement of Functional Expenses Year Ended June 30, 2016

	Program Services	Supporting Services		Total Expenses
	Reproductive Health Services	Management and General	Fundraising	
Salaries	\$ 16,125,512	\$ 5,271,724	\$ 505,879	\$ 21,903,115
Employee benefits	3,459,787	914,968	108,585	4,483,340
Overseas allowance	147,005	21,472	-	168,477
Domestic allowance	<u>5,833</u>	-	-	<u>5,833</u>
Total Salaries and Related Expenses	19,738,137	6,208,164	614,464	26,560,765
Subawards	5,869,184	-	-	5,869,184
Professional fees and contract service payments	1,360,649	1,240,262	217,838	2,818,749
Travel, training and other activities	15,648,016	466,232	21,467	16,135,715
Rent and utilities	1,874,267	937,926	73,147	2,885,340
Equipment purchases, rental, and supplies	4,274,579	517,783	29,830	4,822,192
Communication, printing, postage, and telephone	528,104	167,557	69,573	765,234
Other expenses	<u>369,813</u>	<u>241,864</u>	<u>1,980</u>	<u>613,657</u>
Total Expenses Before Depreciation	49,662,749	9,779,788	1,028,299	60,470,836
Depreciation	<u>799,484</u>	<u>261,537</u>	<u>25,097</u>	<u>1,086,118</u>
Total Expenses	<u>\$ 50,462,233</u>	<u>\$ 10,041,325</u>	<u>\$ 1,053,396</u>	<u>\$ 61,556,954</u>

See notes to financial statements

EngenderHealth, Inc.

Statement of Functional Expenses Year Ended June 30, 2015

	Program Services	Supporting Services		Total Expenses
	Reproductive Health Services	Management and General	Fundraising	
Salaries	\$ 13,724,647	\$ 5,292,634	\$ 529,666	\$ 19,546,947
Employee benefits	3,014,671	1,162,317	116,321	4,293,309
Overseas allowance	185,867	9,165	-	195,032
Domestic allowance	<u>29,735</u>	<u>-</u>	<u>-</u>	<u>29,735</u>
Total Salaries and Related Expenses	16,954,920	6,464,116	645,987	24,065,023
Subawards	3,821,236	-	-	3,821,236
Professional fees and contract service payments	1,585,039	1,184,997	135,741	2,905,777
Travel, training and other activities	13,026,527	454,708	24,397	13,505,632
Rent and utilities	1,903,826	1,183,063	109,842	3,196,731
Equipment purchases, rental, and supplies	3,203,051	357,100	32,916	3,593,067
Communication, printing, postage, and telephone	916,860	151,548	63,720	1,132,128
Other expenses	<u>426,197</u>	<u>182,550</u>	<u>1,887</u>	<u>610,634</u>
Total Expenses Before Depreciation	41,837,656	9,978,082	1,014,490	52,830,228
Depreciation	<u>729,390</u>	<u>277,761</u>	<u>27,784</u>	<u>1,034,935</u>
Total Expenses	<u>\$ 42,567,046</u>	<u>\$ 10,255,843</u>	<u>\$ 1,042,274</u>	<u>\$ 53,865,163</u>

See notes to financial statements

EngenderHealth, Inc.

Statements of Cash Flows

	Year Ended June 30	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,819,857)	\$ 5,638,887
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized losses on investments	271,190	192,992
Depreciation	1,086,118	1,034,935
Deferred rent	(228,749)	(1,317,946)
Present value discount	(18,374)	57,559
Bad debt expense	6,965	34,841
Post retirement benefit adjustment	249,253	(1,925,811)
Changes in assets and liabilities		
Grants and contracts receivable	(183,884)	97,785
Prepaid expenses and other assets	636,982	(710,171)
Stock trade receivable	-	88,758
Contributions receivable	(53,461)	(2,296,906)
Accounts payable and accrued expenses	1,692,368	269,262
Advances from USAID	38,092	822,819
Net Cash from Operating Activities	<u>1,676,643</u>	<u>1,987,004</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(810,497)	(975,207)
Proceeds from sale of investments	609,359	1,858,508
Purchase of property and equipment	<u>(743,161)</u>	<u>(2,450,019)</u>
Net Cash from Investing Activities	<u>(944,299)</u>	<u>(1,566,718)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in annuities payable	<u>(46,665)</u>	<u>(26,880)</u>
Net Change in Cash and Cash Equivalents	685,679	393,406
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>9,885,227</u>	<u>9,491,821</u>
End of year	<u>\$ 10,570,906</u>	<u>\$ 9,885,227</u>

See notes to financial statements

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

1. Organization and Tax Status

EngenderHealth, Inc. (“EngenderHealth”), a tax-exempt organization incorporated in the state of New Jersey, is a nonprofit voluntary health and welfare agency whose purpose is to promote and support quality family planning and reproductive health services throughout the world. EngenderHealth’s program service activities are as follows:

Capacity Building and Technical Assistance

Orientation, training, and technical support to provider institutions, professionals, and government entities on all aspects of developing, implementing, and evaluating family planning and reproductive healthcare service delivery systems to introduce, expand, and improve services. EngenderHealth works to transfer knowledge and skills in the areas of medical and surgical services, training, counseling, evaluation, and research. These activities generally are for the benefit of specific country programs and they may include financial support in the form of grants and medical equipment.

Global and Emerging Programs

Work to advance health and family planning services worldwide, principally leadership in the public and professional arenas and development of innovative approaches to service delivery and related operations. These activities include developing and disseminating client, public, and professional information and education materials, training curricula, and other technical materials; conducting and publishing clinical and practical research; assisting in the development of public policy; and convening and conducting seminars, conferences, and other professional events.

Program Support

Activities to guide, direct, and assess the development, implementation, and evaluation of program service activities.

EngenderHealth is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a). Income generated from activities unrelated to EngenderHealth’s exempt purpose is subject to tax under Internal Revenue Code Section 511.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

2. Summary of Significant Accounting Policies (*continued*)

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly actual results could differ from those estimates.

Net Asset Presentation

Unrestricted Net Assets – amounts that are currently available for the following:

- *Operations* - includes all resources of EngenderHealth that are expendable for carrying on EngenderHealth's mission.
- *Investment in property and equipment* - includes the property and equipment owned by EngenderHealth, net of accumulated depreciation.
- *Board-designated endowment* - established from funds provided by the estate of a former EngenderHealth board member, Dr. Helen W. Edey. Dr. Edey provided these funds as "seed" money for an endowment campaign, but specified that the board would have discretionary powers to use any portion of the fund to support innovative programmatic and operational projects to improve the Organization.

Temporarily Restricted Net Assets - Net assets whose use by EngenderHealth is limited by donor-imposed stipulations that either expire with the passage of time and/or can be fulfilled and removed by the actions of EngenderHealth pursuant to those stipulations. When a donor restriction expires, i.e., when a stipulated time restriction ends or purpose restriction is accomplished; temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets whose use by EngenderHealth is limited by donor-imposed stipulations requiring such resources to be maintained in perpetuity and the income therefrom to be utilized for operating or other donor-restricted purposes.

Fair Value Measurements

EngenderHealth follows U.S. GAAP guidance on Fair Value Measurements which defines and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. The three levels are defined as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

2. Summary of Significant Accounting Policies (*continued*)

Fair Value Measurements (continued)

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. In the case of alternative investments, net asset value is used as a practical expedient to estimate fair value and the valuation hierarchy is based on EngenderHealth's ability to redeem its interest at or near the date of the statement of financial position. If the interest can be redeemed in the near term, the investment is classified as Level 2.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. Investments in alternative investments that cannot be redeemed at or near the date of the statement of financial position are classified as Level 3.

Cash and Cash Equivalents

EngenderHealth considers all highly liquid financial instruments having a maturity of ninety days or less at the time of purchase to be cash equivalents.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is established for contributions receivable where there exists doubt as to whether an amount will be fully collected. The determination of this allowance is an estimate based on EngenderHealth's historical experience, review of account balances and expectations relative to collections.

Investments and Income Recognition

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value, based on quoted market prices. Investments in alternative investments are reported based on the underlying net asset value, which is estimated at fair value by management of the investment vehicle. EngenderHealth reviews and evaluates the value provided by the investment vehicle's management and agrees with the valuation methodology and assumptions used in determining the fair value of the underlying net assets. EngenderHealth records investment transactions based on the trade date. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date.

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

2. Summary of Significant Accounting Policies (*continued*)

Investments and Income Recognition (continued)

Investments are exposed to various risks, such as interest rate, market, credit, and other risks. Due to such risks and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values of investment securities could occur in the near term and such changes could materially affect the amounts reported in the accompanying financial statements.

Contributions

Contributions and unconditional promises to give are recorded as revenue when signed pledges are made and are classified as unrestricted, temporarily restricted, or permanently restricted support based on the presence or absence of donor restrictions. Verbal and written intentions to contribute material amounts are not recorded in these financial statements because they do not meet the EngenderHealth's criteria for recognition.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates applicable to the years in which the promises are received and consider market and credit risk as applicable. Amortization of the discounts and changes in allowance for doubtful accounts are included in contribution revenue on the statements of activities and other expenses on the statements of functional expenses, respectively.

Revenue from Government Grants

Cooperative agreements with the U.S. Agency for International Development ("USAID") and other grants and contracts are recognized as revenue and a receivable is recorded when EngenderHealth incurs expenses reimbursable under the terms of the agreements. An allowance for uncollectible grants and contracts receivable is estimated based upon such factors as prior collection history, potential cost disallowances, and other factors. Cash received under grants and contracts in advance of incurring the related expenses is reported as a liability until spent.

Property and Equipment

EngenderHealth capitalizes property and equipment with a unit cost in excess of \$1,000. All office furniture and fixtures, computers, vehicles and equipment purchased under USAID grants are subject to return to USAID, upon request. Depreciation of office furniture and fixtures, computers, vehicles and equipment is computed using the straight-line method based on estimated useful lives of three to seven years. Leasehold improvements are amortized over the life of the office lease or the estimated life of the leasehold improvement, whichever is shorter.

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

2. Summary of Significant Accounting Policies *(continued)*

Property and Equipment (continued)

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value. There were no asset impairments for the years ended June 30, 2016 and 2015.

Subawards

Grants awarded to subrecipients by EngenderHealth are recorded as an expense and a liability at the time the expenses are incurred. Amounts payable to subrecipients are included in accounts payable and accrued expenses.

Non Operating Activities

EngenderHealth reports investment return, losses on contributions receivable, if any, change in the value of split-interest agreements, and pension-related and post retirement healthcare benefits changes other than net periodic benefit cost/credit as non operating activities in the accompanying statements of activities.

Foreign Currency Translation

EngenderHealth has determined that its functional currency is the U.S. dollar. Accordingly, assets and liabilities denominated in other currencies are translated using the current exchange rates in effect on the statement of financial position date. Revenue and expense accounts are translated at the average rate in effect during the year.

Functional Allocation of Expenses

The costs of providing the program and other activities of EngenderHealth have been summarized on a functional basis. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs were \$15,638 and \$19,494 for 2016 and 2015, respectively.

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

2. Summary of Significant Accounting Policies (*continued*)

Accounting for Uncertainty in Income Taxes

EngenderHealth recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that EngenderHealth had no uncertain tax positions that would require financial statement recognition or disclosure. The Organization is no longer subject to examination by the applicable taxing jurisdictions for years prior to June 30, 2013.

Reclassifications

Certain accounts in the fiscal 2015 financial statements have been reclassified to conform to the current year financial statement presentation.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is December 20, 2016.

3. Concentration of Credit Risk

Financial instruments that potentially subject EngenderHealth to concentrations of credit risk consist principally of cash and cash equivalents, investments and receivables. At times cash balances held at financial institutions may be in excess of federally insured limits. EngenderHealth also maintains bank accounts in various countries. There is no insurance on these accounts. EngenderHealth has not experienced any losses on its cash deposits.

The investment portfolio is diversified by type of investment and industry concentrations so that no individual investment or group of investments represent a significant concentration of credit risk. Total contributions and private grants revenue received from one donor aggregate to 42% and 43% during 2016 and 2015, respectively. In addition, contributions receivable from six contributors in 2016 and two contributors in 2015 aggregate to 95% and 91% at June 30, 2016 and 2015, respectively.

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

4. Fair Value Measurements

The following are major categories of assets and liabilities at June 30, 2016 and 2015, which are measured at fair value and grouped by their fair value hierarchy on a recurring basis:

	2016			
	Level 1	Level 2	Level 3	Total
Common stock	\$ 2,786,621	\$ -	\$ -	\$ 2,786,621
Corporate debt securities	1,453,359	-	-	1,453,359
U.S. Treasury securities	117,842	-	-	117,842
Real estate mutual funds	172,847	-	-	172,847
Other mutual funds	-	1,762,606	-	1,762,606
Total	4,530,669	1,762,606	-	6,293,275
Life annuity	-	46,614	-	46,614
Total Investments	\$ 4,530,669	\$ 1,809,220	\$ -	\$ 6,339,889
Fair value of annuities payable	\$ -	\$ -	\$ 358,193	\$ 358,193
	2015			
	Level 1	Level 2	Level 3	Total
Common stock	\$ 3,125,516	\$ -	\$ -	\$ 3,125,516
Corporate debt securities	1,123,629	-	-	1,123,629
U. S. Treasury securities	149,939	-	-	149,939
Real estate mutual funds	147,328	-	-	147,328
Other mutual funds	-	1,816,915	-	1,816,915
Total	4,546,412	1,816,915	-	6,363,327
Life annuity	-	46,614	-	46,614
Total Investments	\$ 4,546,412	\$ 1,863,529	\$ -	\$ 6,409,941
Fair value of annuities payable	\$ -	\$ -	\$ 404,858	\$ 404,858

EngenderHealth recognizes transfers between levels in the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers between levels for the years ended June 30, 2016 and 2015.

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

4. Fair Value Measurements *(continued)*

The following is a reconciliation of the beginning and ending balances for Level 3 liabilities during 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 404,858	\$ 431,738
Change in value of annuities payable	<u>(46,665)</u>	<u>(26,880)</u>
Ending balance	<u>\$ 358,193</u>	<u>\$ 404,858</u>

The other mutual funds' objective is to attain a growing stream of current income and appreciation of principal that at least offsets inflation in order to achieve a total return (price appreciation plus dividends and interest income) net of expenses that, over a majority of market cycles, exceeds inflation, as measured by the consumer price index, plus 5% per annum. To achieve this objective, the fund is invested in a globally diversified portfolio of equity and fixed income securities. The fund is redeemable daily with one day's notice.

Included in investments are those assets held by EngenderHealth relating to certain split-interest agreements, totaling \$771,668 and \$753,149 at June 30, 2016 and 2015, respectively.

The following table presents the total investment return, reported in the accompanying statements of activities under non-operating activities, for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 136,896	\$ 150,466
Unrealized losses	(303,323)	(347,359)
Realized gains	<u>32,133</u>	<u>154,367</u>
	<u>\$ (134,294)</u>	<u>\$ (42,526)</u>

For the years ended June 30, 2016 and 2015, investment fees totaled \$40,066 and \$42,855, respectively, and are included in expenses in the accompanying statements of activities.

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

5. Split-Interest Agreements

EngenderHealth's split-interest agreements with donors consist primarily of irrevocable charitable gift annuities and pooled life income funds for which EngenderHealth serves as trustee. Assets held in these instruments are included in investments. Contribution revenue is recognized on the date the instruments are established, after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the term of the instruments for changes in the value of the assets, accretion of the discount, and other changes in the estimates of future benefits.

6. Contributions Receivable

Contributions receivable consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Due within		
Up to one year	\$ 12,128,985	\$ 12,650,536
One to five years	<u>11,785,283</u>	<u>11,210,271</u>
	23,914,268	23,860,807
Present value discount	<u>(160,508)</u>	<u>(178,882)</u>
Net Contributions Receivable	<u>\$ 23,753,760</u>	<u>\$ 23,681,925</u>

The discount rates used for pledges outstanding through June 30, 2016, range from 1.00% to 2.00%. Management determined that the receivables are fully collectible and no allowance for doubtful accounts has been established.

7. Property and Equipment

Property and equipment at June 30 consist of the following:

	<u>2016</u>	<u>2015</u>
Furniture, fixtures and equipment	\$ 4,852,484	\$ 4,716,950
Computer software	720,857	705,417
Leasehold improvements	<u>2,486,878</u>	<u>2,480,154</u>
	8,060,219	7,902,521
Accumulated depreciation	<u>(4,812,641)</u>	<u>(4,311,986)</u>
	<u>\$ 3,247,578</u>	<u>\$ 3,590,535</u>

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

8. Temporarily Restricted Net Assets and Permanently Restricted Net Assets

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

	<u>2016</u>	<u>2015</u>
Reproductive health programs	\$ 27,404,188	\$ 27,456,775
Split-interest agreements	1,008,979	962,313
Unappropriated earnings on endowment fund	<u>1,023,117</u>	<u>1,342,166</u>
	<u>\$ 29,436,284</u>	<u>\$29,761,254</u>

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donor or as a result of the expiration of donor imposed time restrictions as follows:

	<u>2016</u>	<u>2015</u>
Reproductive health programs	\$ 16,913,720	\$13,280,714
Appropriated earnings on endowment fund	<u>246,392</u>	<u>246,183</u>
	<u>\$ 17,160,112</u>	<u>\$13,526,897</u>

At June 30, 2016 and 2015, permanently restricted net assets totaling \$3,344,876 provided investment income of \$246,392 and \$246,183, respectively, to support operations.

9. Endowment Fund

(a) *History of the Endowment Fund*

In 2001, the officers and the Board of Directors of EngenderHealth approved a five-year endowment campaign. The officers and the members of the Board of Directors were the main contributors to the endowment fund. The income generated from the endowment fund is intended to be used to provide EngenderHealth with the resources to ensure the continuity of its ongoing programs around the world, thereby allowing EngenderHealth to bridge funding gaps and to meet other emergent needs when funding is not available. The Board of Directors also established a quasi-endowment with unrestricted net assets.

The net assets of the endowment and quasi-endowment funds are commingled in the same investment portfolio, and accordingly, the investment return on the endowment is allocated in the same proportions as the initially invested corpus.

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

9. Endowment Fund (*continued*)

(b) *Investment Objectives and Guidelines*

EngenderHealth's primary investment objective is to maximize total return through income and capital appreciation while investing in a prudent manner by avoiding high-risk investments. EngenderHealth has adopted investment policy guidelines as approved by the Finance Committee of the Board of Directors. The policy provides for diversification in both equity and fixed income securities so as to provide a balance to the investment portfolio thereby avoiding undue risk concentration in any single asset class or investment category. The preferred long-term mix is 55% – 60% equities and 40% – 45% fixed income. The Finance Committee of the Board of Directors has the authority to make adjustments to the asset allocations in order to maintain target ranges in the endowment fund and any permanent changes in policy.

(c) *Spending Policy*

EngenderHealth has a policy whereby 5.5% of the total fair value of the endowment funds' assets is calculated annually as a spending rate using the rolling three-year average of the fair value at the close of each fiscal year. This method is designed to protect the endowment fund from extreme market value fluctuations while improving the consistency in level of available spending. This spending policy is reviewed annually by the Finance Committee of the Board of Directors.

(d) *Classification of Endowment Net Assets*

Based on interpretation by the Board of Directors of EngenderHealth as it relates to relevant laws, including the *New York Uniform Prudent Management of Institutional Funds Act* (NYPMIFA), as enacted by the State of New York, and accounting guidance surrounding the management of endowment funds, and absent explicit donor stipulations to the contrary, EngenderHealth classifies as permanently restricted net assets, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by EngenderHealth in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, EngenderHealth considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

9. Endowment Fund (continued)

(d) Classification of Endowment Net Assets (continued)

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

The following is the endowment net asset composition (excluding a third-party perpetual trust and contribution receivables totaling \$25,000 for both years):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2016:				
Board-designated				
quasi endowment	\$ 1,145,949	\$ -	\$ -	\$ 1,145,949
Donor-restricted endowment	-	1,023,117	3,319,876	4,342,993
Total Endowment	\$ 1,145,949	\$ 1,023,117	\$ 3,319,876	\$ 5,488,942
June 30, 2015:				
Board-designated				
quasi endowment	\$ 1,230,138	\$ -	\$ -	\$ 1,230,138
Donor-restricted endowment	-	1,342,166	3,319,876	4,662,042
Total Endowment	\$ 1,230,138	\$ 1,342,166	\$ 3,319,876	\$ 5,892,180

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

9. Endowment Fund (continued)

Changes in endowment net assets for the years ended June 30, 2016 and 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2015	\$ 1,230,138	\$ 1,342,166	\$ 3,319,876	\$ 5,892,180
Investment income	23,073	87,440	-	110,513
Net depreciation in fair value of investments	(42,245)	(160,097)	-	(202,342)
Endowment appropriation for operations	246,392	(246,392)	-	-
Expenditures for operation - endowment	(246,392)	-	-	(246,392)
Expenditures for operation - board designated	<u>(65,017)</u>	<u>-</u>	<u>-</u>	<u>(65,017)</u>
Endowment net assets, June 30, 2016	<u>\$ 1,145,949</u>	<u>\$ 1,023,117</u>	<u>\$ 3,319,876</u>	<u>\$ 5,488,942</u>
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2014	\$ 1,311,769	\$ 1,651,519	\$ 3,319,876	\$ 6,283,164
Investment income	24,826	94,085	-	118,911
Net depreciation in fair value of investments	(41,496)	(157,255)	-	(198,751)
Endowment appropriation for operations	246,183	(246,183)	-	-
Expenditures for operation - endowment	(246,183)	-	-	(246,183)
Expenditures for operation - board designated	<u>(64,961)</u>	<u>-</u>	<u>-</u>	<u>(64,961)</u>
Endowment net assets, June 30, 2015	<u>\$ 1,230,138</u>	<u>\$ 1,342,166</u>	<u>\$ 3,319,876</u>	<u>\$ 5,892,180</u>

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

10. Benefit Plans

(a) Retirement

EngenderHealth has a defined contribution retirement plan, which covers substantially all employees. Pension expense for the years ended June 30, 2016 and 2015 was \$1,946,970 and \$1,658,691, respectively. Under the terms of the plan, employer contributions are fully vested upon participation in the plan. EngenderHealth contributes 10% of employee compensation as the employer contribution in compliance with EngenderHealth's personnel policies and negotiated agreements.

(b) Postretirement Healthcare Benefits

EngenderHealth's benefit policy provides for contributions of healthcare benefits, including dental and vision care coverage, for employees who retire after completing 15 years of service and reaching retirement age as defined in the plan agreement. Benefits are reduced by Medicare benefits after age 65. Employees who joined EngenderHealth after January 1, 2001 are not eligible for coverage under this plan. The plan is being funded by an irrevocable Voluntary Employees' Beneficiary Association (VEBA) trust.

EngenderHealth records annual amounts relating to the plan based on calculations that incorporate various actuarial and other assumptions including discount rates, mortality, assumed rates of return, and healthcare cost trend rates. EngenderHealth reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so. The effect of modifications to these assumptions is recorded as a charge to unrestricted net assets and amortized to net periodic cost over future periods using the corridor method. EngenderHealth believes that the assumptions utilized in recording its obligation under its plan are reasonable based on its experience and market conditions. The net periodic cost is recognized as employees render the services necessary to earn the postretirement benefits.

EngenderHealth recognizes the funded status of its defined benefit postretirement plan on a net basis as an asset or liability and recognizes changes in that funded status in the year in which the changes occur through a charge to unrestricted net assets to the extent those changes are not included in net periodic benefit cost. The funded status is reported on the statements of financial position as the difference between the fair value of plan assets and the benefit obligation.

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

10. Benefit Plans (continued)

For the fiscal year ended June 30, 2016, EngenderHealth's funded status of its defined benefit postretirement plan was valued based on the newly adopted Actuarial Standards of Practice No. 6. This new standard takes into consideration the age of each participant when valuating future claim costs. This new valuation methodology significantly reduced the anticipated cost of future claims by the plan beneficiaries, where the fair value of the plan assets exceed the future benefit obligation.

Information with respect to this plan as of and for the years ended June 30 is as follows:

	2016	2015
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 1,101,925	\$ 3,039,738
Service cost	21,269	81,461
Interest cost	47,441	127,412
Plan participants' contributions	20,274	19,595
Actuarial loss (gain)	243,590	(2,085,967)
Benefits paid	(82,764)	(80,314)
Benefit Obligation at End of Year	1,351,735	1,101,925
Change in plan assets		
Fair value of plan assets at beginning of year	1,650,706	1,662,708
Actual return on plan assets	557	(12,002)
Employer contributions	62,490	60,719
Participant contributions	20,274	19,595
Benefits paid	(82,764)	(80,314)
Fair value of plan assets at end of year	1,651,263	1,650,706
Funded Status at End of Year	\$ 299,528	\$ 548,781

At June 30, 2016 and 2015, amounts recognized as changes in unrestricted net assets but not yet reclassified as a component of net periodic benefit cost/credit are as follows:

	2016	2015
Net prior service cost	\$ 94,293	\$ 116,439
Net actuarial (gain) loss	(1,156,299)	(1,660,449)
	\$ (1,062,006)	\$ (1,544,010)

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

10. Benefit Plans (continued)

Other changes in plan assets and benefit obligation recognized in changes in unrestricted net assets are as follows:

	2016	2015
Net periodic cost		
Service cost	\$ 21,269	\$ 81,461
Interest cost	47,441	127,412
Expected return on plan assets	(99,042)	(99,762)
Amortization of prior service cost/(credit)	22,146	(7,741)
Amortization of net (gain)/ loss	(162,075)	33,865
	(170,261)	135,235
Net actuarial (gain) loss	\$ 342,075	(1,974,203)
Amortization of prior service (credit)/cost	(22,146)	7,741
Amortization of actuarial gain/(loss)	162,075	(33,865)
	482,004	(2,000,327)
Total Recognized in Net Periodic Postretirement Benefit Cost and Unrestricted Net Assets	\$ 311,743	\$ (1,865,092)

The estimated service cost, interest cost, expected return on assets, and prior service and experience loss that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are as follows:

Service cost	\$ 26,314
Interest cost	47,495
Expected return on plan assets	(99,075)
Amortization of prior service credit	22,146
Amortization of net (gain)	(111,694)
	\$ (114,814)

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

10. Benefit Plans (continued)

	2016	2015
Weighted average assumptions as of the measurement date		
Discount rate - benefit obligation	3.58%	4.40%
Discount rate - net periodic benefit cost	4.40%	4.24%
Expected long-term return on plan assets	6.00%	6.00%
Assumed healthcare cost trend rates		
Healthcare cost trend rate assumed for next year		
- medical (pre-65)	7.50%	7.75%
Healthcare cost trend rate assumed for next year		
- medical (post-65)	6.50%	6.75%
Healthcare cost trend rate assumed for next year		
- prescription drug	10.50%	8.50%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	3.89%	3.89%
Year that the rate reaches the ultimate trend	2075	2075

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plan. A one-percentage-point change in assumed healthcare cost trend rates would have the following effects:

	1% point increase	1% point increase
Effect in total of service and interest cost components	\$ 16,959	\$ (12,787)
Effect on accumulated postretirement benefit obligation	282,523	(218,928)

EngenderHealth's overall expected long-term rate of return is 6%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based on historical returns as well as investment objectives, the desired outcomes of which are to provide capital appreciation and current income through investment in a blend of securities expected to grow in value over the long term and those expected to produce income.

EngenderHealth's primary investment objective is to maximize total return through income and capital appreciation while investing in a prudent manner by avoiding high-risk investments. EngenderHealth's plan asset allocation strategy provides for diversification in both equity and fixed income securities so as to provide a balance to the investment portfolio, thereby avoiding undue risk concentration in any single asset class or investment category. The Finance Committee of the Board of Directors has the authority to make adjustments to the asset allocations in order to maintain target ranges in the postretirement fund and any permanent changes in policy.

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

10. Benefit Plans (continued)

The target and current asset allocations of the plan at June 30, 2016 and 2015 are as follows:

	<u>Target</u>	<u>2016</u>	<u>2015</u>
Equity securities	25% - 65%	53%	53%
Debt securities	25% - 65%	42%	41%
Cash and cash equivalents	0% - 20%	2%	3%
Other	0% - 25%	3%	3%

Plan assets at June 30, 2016 and 2015 are valued using Level 1 inputs in the fair value hierarchy. All are mutual funds and are summarized as follows:

	<u>2016</u>	<u>2015</u>
Equity - domestic stock	\$ 546,738	\$ 440,604
Equity - international and emerging markets	337,657	440,303
Fixed income - government agencies	170,043	-
Fixed income - corporate bonds	451,264	607,862
U.S. Treasury securities	65,094	74,197
Short-term investments	29,970	42,030
Real estate and other	50,497	45,710
	<u>\$ 1,651,263</u>	<u>\$ 1,650,706</u>

Projected payments to retired participants over the next 10 years, which reflect expected future service, are as follows:

2017	\$ 50,097
2018	54,148
2019	57,982
2020	54,699
2021	41,033
2022 - 2026	223,912
Total	<u>\$ 481,871</u>

The expected benefit payments are based on the same assumptions used to measure EngenderHealth's benefit obligation at June 30 and include estimated future employee service. Retired participants contribute 50% of the premium cost of their benefits. EngenderHealth contributes the remainder.

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

10. Benefit Plans (*continued*)

In 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively, the Health Care Acts) were signed into law by President Obama. The Health Care Acts include several provisions that may affect a company's postretirement benefit plans, including imposing an excise tax on high cost coverage, eliminating lifetime and annual coverage limits, reducing subsidies to Medicare Advantage plans, and imposing inflation-adjusted fees of \$2 (\$2.17 in fiscal 2016) for each person covered by a health insurance policy for each policy plan year ending after September 30, 2012 through September 30, 2019. EngenderHealth has evaluated the effects of the Health Care Acts and concluded that there is no material impact on EngenderHealth's measurement of its postretirement healthcare benefit obligation as of June 30, 2016. Management will continue to monitor developments, interpretations, and evidence relating to the law and incorporate the latest thinking in future measurements.

11. Commitments and Contingencies

- (a) EngenderHealth maintains its headquarters at 440 Ninth Avenue in New York City. The lease expires on February 28, 2028. An amendment to the lease agreement was made on February 1, 2015 reducing the total square footage under the lease. Aggregate minimum rental payments under this lease and leases maintained at various foreign office locations are as follows:

2017	\$ 1,241,981
2018	1,135,176
2019	934,823
2020	892,324
2021	892,324
Thereafter	<u>6,601,027</u>
	<u>\$ 11,697,655</u>

Minimum rental commitments do not include utilities or annual escalation charges, which are also payable under the office leases. Accounts payable and accrued expenses include \$1,961,793 and \$2,190,542 as of June 30, 2016 and 2015 respectively, in deferred rent related to the amount of straight-lined rent expensed in advance of rental payments made. Rent expense was \$1,772,663 and \$2,089,539 for the years ended June 30, 2016 and 2015, respectively.

In conjunction with the New York City lease, EngenderHealth has a letter of credit with Northern Trust in the amount of \$261,168 to be held and used under the security provisions of the lease. The letter of credit is secured by EngenderHealth's investments.

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2016 and 2015

11. Commitments and Contingencies (*continued*)

- (b) EngenderHealth had a \$1,000,000 line of credit with a financial institution. Interest is payable at 2.75%. The line was closed in February 2016.
- (c) EngenderHealth receives funding from U.S. government agencies, primarily USAID, and other organizations for various activities which are subject to audits. Although such audits may result in disallowance of certain expenditures, which would be absorbed by EngenderHealth, in management's opinion, the ultimate outcome of such audits would not have a material effect on the financial position, changes in net assets, or cash flows of EngenderHealth.

At June 30, 2016, accounts payable and accrued expenses in the accompanying financial statements include reserves totaling \$270,965, which represent management's estimate of amounts related to an ongoing audit and notice of disallowance on its Kenya/APHIA project. In April 2013, EngenderHealth received a revised audit report commissioned by USAID Kenya regarding the Kenya/APHIA project indicating questioned costs totaling \$1,362,121. EngenderHealth submitted a formal response to the original audit report on August 3, 2013 stating their position that the questioned costs were principally allowable. On February 28, 2014, the USAID/Kenya Agreement Officer issued a Final Decision to sustain the full amount of \$1,362,121 as disallowed. On March 28, 2014, EngenderHealth submitted a formal appeal of the Final Decision to USAID/Washington, contesting \$1,253,297 of the disallowance and conceding a disallowance of \$108,824. As of June 30, 2016 EngenderHealth continues to believe that it has made adequate provisions for the liabilities likely to arise although the ultimate liability is dependent upon the outcome of the agreement with the relevant authority or litigation where appropriate.

12. Significant Funders

During the years ended June 30, 2016 and 2015, 69% and 63%, respectively of operating revenues and other support were received from the U.S. government, either directly or through pass-through agencies. In 2016 and 2015, 93% and 94%, respectively of such amounts were received from USAID. The operations of EngenderHealth's programs at present levels are dependent upon continued funding from the U.S. government, primarily USAID.

13. Foreign Currency Translation

Substantially all assets and liabilities of the foreign office operations are translated at year-end exchange rates; support and revenue and expenses are translated at the average exchange rates during the year. Translation adjustments for such assets and liabilities are accumulated in unrestricted net assets. Gains and losses from foreign currency translation of \$58,672 and (\$61,497) at June 30, 2016 and 2015 are included in the statements of activities.

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