

EngenderHealth, Inc.

Financial Statements

June 30, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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

January 28, 2021

EngenderHealth, Inc.

Statements of Financial Position

| | June 30 | |
|--|---------------|---------------|
| | 2020 | 2019 |
| ASSETS | | |
| Cash and cash equivalents | \$ 8,841,127 | \$ 8,669,998 |
| Grants and contracts receivable | 1,837,756 | 1,657,420 |
| Prepaid expenses and other assets | 3,465,542 | 2,977,164 |
| Contributions receivable (Note 6) | 1,640,759 | 7,101,982 |
| Investments (Note 4) | 200,566 | 1,503,103 |
| Property and equipment, net (Note 7) | 1,341,824 | 1,734,172 |
| Postretirement health benefits asset (Note 10) | - | 1,472,126 |
| Restricted investments (Notes 4 and 9) | 2,019,091 | 2,019,091 |
| | \$ 19,346,665 | \$ 27,135,056 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 7,366,080 | \$ 10,797,514 |
| Subtenant deposit | 304,696 | - |
| Paycheck protection program loan payable (Note 12) | 944,582 | - |
| Postretirement health benefits liability (Note 10) | 604,520 | - |
| Advances from U.S. Agency for International Development (USAID) | 70,536 | - |
| Obligations due under split interest agreements (Note 5) | 216,483 | 226,666 |
| Total Liabilities | 9,506,897 | 11,024,180 |
| Net Assets | | |
| Without donor restrictions | 1,059,061 | 28,060 |
| With Donor Restrictions | | |
| Temporary in nature (Notes 8 and 9) | 6,761,616 | 14,063,725 |
| Perpetual in nature (Notes 8 and 9) | 2,019,091 | 2,019,091 |
| Total Net Assets | 9,839,768 | 16,110,876 |
| | \$ 19,346,665 | \$ 27,135,056 |

See notes to financial statements

EngenderHealth, Inc.

Statement of Activities Year Ended June 30, 2020

| | Without Donor Restrictions | With Donor Restriction | | Total |
|---|-------------------------------|------------------------|------------------------|---------------------|
| | | Temporary in Nature | Perpetual in Nature | |
| OPERATING REVENUES AND OTHER SUPPORT | | | | |
| USAID, DHHS and other grants (Note 13) | \$ 20,444,559 | \$ - | \$ - | \$ 20,444,559 |
| Contributions and private grants | 2,658,771 | 4,634,516 | - | 7,293,287 |
| Net assets released from restrictions | 11,943,623 | (11,943,623) | - | - |
| Total Operating Revenues and Other Support | <u>35,046,953</u> | <u>(7,309,107)</u> | <u>-</u> | <u>27,737,846</u> |
| OPERATING EXPENSES | | | | |
| Program Services | | | | |
| Reproductive health services | <u>27,343,363</u> | <u>-</u> | <u>-</u> | <u>27,343,363</u> |
| Supporting Services | | | | |
| Management and general | 5,783,184 | - | - | 5,783,184 |
| Fundraising | <u>666,593</u> | <u>-</u> | <u>-</u> | <u>666,593</u> |
| Total Supporting Services | <u>6,449,777</u> | <u>-</u> | <u>-</u> | <u>6,449,777</u> |
| Total Operating Expenses | <u>33,793,140</u> | <u>-</u> | <u>-</u> | <u>33,793,140</u> |
| Change in Net Assets from Operating Activities before Depreciation | 1,253,813 | (7,309,107) | - | (6,055,294) |
| Depreciation | <u>(421,529)</u> | <u>-</u> | <u>-</u> | <u>(421,529)</u> |
| Change in Net Assets from Operating Activities | 832,284 | (7,309,107) | - | (6,476,823) |
| NON OPERATING ACTIVITIES | | | | |
| Investment return (Note 4) | (29,849) | 17,181 | - | (12,668) |
| Change in value of split-interest agreements (Note 5) | - | (10,183) | - | (10,183) |
| Pension-related and post retirement healthcare | | | | |
| benefits changes other than net periodic cost (Note 10) | (445,934) | - | - | (445,934) |
| Gain on exit of rental obligation (Note 11) | 841,541 | - | - | 841,541 |
| Loss on disposal of asset | <u>(167,041)</u> | <u>-</u> | <u>-</u> | <u>(167,041)</u> |
| Change in Net Assets | 1,031,001 | (7,302,109) | - | (6,271,108) |
| NET ASSETS | | | | |
| Beginning of year | <u>28,060</u> | <u>14,063,725</u> | <u>2,019,091</u> | <u>16,110,876</u> |
| End of year | <u>\$ 1,059,061</u> | <u>\$ 6,761,616</u> | <u>\$ 2,019,091</u> | <u>\$ 9,839,768</u> |

See notes to financial statements

EngenderHealth, Inc.

Statement of Activities Year Ended June 30, 2019

| | Without Donor Restrictions | With Donor Restrictions | | |
|---|-------------------------------|-------------------------|------------------------|----------------------|
| | | Temporary in Nature | Perpetual in Nature | Total |
| OPERATING REVENUES AND OTHER SUPPORT | | | | |
| USAID, DHHS and other grants (Note 13) | \$ 23,413,880 | \$ - | \$ - | \$ 23,413,880 |
| Contributions and private grants | 1,360,813 | 3,367,701 | - | 4,728,514 |
| Net assets released from restrictions | <u>14,001,857</u> | <u>(14,001,857)</u> | - | <u>-</u> |
| Total Operating Revenues and Other Support | <u>38,776,550</u> | <u>(10,634,156)</u> | - | <u>28,142,394</u> |
| OPERATING EXPENSES | | | | |
| Program Services | | | | |
| Reproductive health services | <u>30,434,362</u> | - | - | <u>30,434,362</u> |
| Supporting Services | | | | |
| Management and general | 9,351,041 | - | - | 9,351,041 |
| Fundraising | <u>336,523</u> | - | - | <u>336,523</u> |
| Total Supporting Services | <u>9,687,564</u> | - | - | <u>9,687,564</u> |
| Total Operating Expenses | <u>40,121,926</u> | - | - | <u>40,121,926</u> |
| Change in Net Assets from Operating Activities before Depreciation | (1,345,376) | (10,634,156) | - | (11,979,532) |
| Depreciation | | | | |
| Change in Net Assets from Operating Activities | <u>(507,206)</u> | - | - | <u>(507,206)</u> |
| | <u>(1,852,582)</u> | <u>(10,634,156)</u> | - | <u>(12,486,738)</u> |
| NON OPERATING ACTIVITIES | | | | |
| Investment return (Note 4) | 61,501 | 119,002 | - | 180,503 |
| Change in value of split-interest agreements (Note 5) | - | (10,430) | - | (10,430) |
| Write-off of pledge due to project cancellation | - | (145,170) | - | (145,170) |
| Pension-related and post retirement healthcare | | | | |
| benefits changes other than net periodic cost (Note 10) | (344,182) | - | - | (344,182) |
| Pension liability curtailment and settlement gain | 1,137,901 | - | - | 1,137,901 |
| Gain on exit of rental obligation (Note 11) | 203,449 | - | - | 203,449 |
| Loss on disposal of asset | (457,496) | - | - | (457,496) |
| Donor redesignation (Note 9) | <u>1,325,785</u> | - | <u>(1,325,785)</u> | <u>-</u> |
| Change in Net Assets | 74,376 | (10,670,754) | (1,325,785) | (11,922,163) |
| NET ASSETS | | | | |
| Beginning of year | <u>(46,316)</u> | <u>24,734,479</u> | <u>3,344,876</u> | <u>28,033,039</u> |
| End of year | <u>\$ 28,060</u> | <u>\$ 14,063,725</u> | <u>\$ 2,019,091</u> | <u>\$ 16,110,876</u> |

See notes to financial statements

EngenderHealth, Inc.

Statement of Functional Expenses Year Ended June 30, 2020

| | Program Services | Supporting Services | | Total Expenses |
|---|------------------------------------|------------------------------|-------------------|----------------------|
| | Reproductive Health Services | Management and General | Fundraising | |
| Salaries | \$ 11,008,346 | \$ 3,239,013 | \$ 293,449 | \$ 14,540,808 |
| Employee benefits | 2,282,971 | 671,438 | 60,831 | 3,015,240 |
| Overseas allowance | 88,207 | 24,861 | - | 113,068 |
| Domestic allowance | 2,571 | 10,308 | - | 12,879 |
| Total Salaries and Related Expenses | <u>13,382,095</u> | <u>3,945,620</u> | <u>354,280</u> | <u>17,681,995</u> |
| Subawards | 4,108,826 | - | - | 4,108,826 |
| Professional fees and contract service payments | 1,164,844 | 883,362 | 81,587 | 2,129,793 |
| Travel, training and other activities | 4,500,446 | 150,793 | 2,678 | 4,653,917 |
| Rent and utilities | 1,047,448 | 352,674 | 35,716 | 1,435,838 |
| Equipment purchases, rental, and supplies | 2,386,459 | 231,489 | 60,796 | 2,678,744 |
| Communication, printing, postage, and telephone | 306,324 | 58,019 | 100,832 | 465,175 |
| Other expenses | 446,921 | 161,227 | 30,704 | 638,852 |
| Total Expenses Before Depreciation | <u>27,343,363</u> | <u>5,783,184</u> | <u>666,593</u> | <u>33,793,140</u> |
| Depreciation | <u>298,582</u> | <u>122,947</u> | <u>-</u> | <u>421,529</u> |
| Total Expenses | <u>\$ 27,641,945</u> | <u>\$ 5,906,131</u> | <u>\$ 666,593</u> | <u>\$ 34,214,669</u> |

See notes to financial statements

EngenderHealth, Inc.

Statement of Functional Expenses Year Ended June 30, 2019

| | Program Services | Supporting Services | | Total Expenses |
|---|------------------------------------|------------------------------|-------------------|----------------------|
| | Reproductive Health Services | Management and General | Fundraising | |
| Salaries | \$ 11,232,422 | \$ 4,322,712 | \$ 46,339 | \$ 15,601,473 |
| Employee benefits | 2,314,101 | 890,564 | 9,547 | 3,214,212 |
| Overseas allowance | 24,818 | 9,108 | - | 33,926 |
| Domestic allowance | - | 16,500 | - | 16,500 |
| Total Salaries and Related Expenses | <u>13,571,341</u> | <u>5,238,884</u> | <u>55,886</u> | <u>18,866,111</u> |
| Subawards | 5,667,530 | - | - | 5,667,530 |
| Professional fees and contract service payments | 983,116 | 1,809,886 | 183,672 | 2,976,674 |
| Travel, training and other activities | 6,438,672 | 573,934 | 8,141 | 7,020,747 |
| Rent and utilities | 1,405,145 | 1,125,185 | 4,403 | 2,534,733 |
| Equipment purchases, rental, and supplies | 1,953,616 | 328,577 | 5,145 | 2,287,338 |
| Communication, printing, postage, and telephone | 218,381 | 167,198 | 59,524 | 445,103 |
| Other expenses | 196,561 | 107,377 | 19,752 | 323,690 |
| Total Expenses Before Depreciation | <u>30,434,362</u> | <u>9,351,041</u> | <u>336,523</u> | <u>40,121,926</u> |
| Depreciation | <u>503,322</u> | <u>3,884</u> | <u>-</u> | <u>507,206</u> |
| Total Expenses | <u>\$ 30,937,684</u> | <u>\$ 9,354,925</u> | <u>\$ 336,523</u> | <u>\$ 40,629,132</u> |

See notes to financial statements

EngenderHealth, Inc.

Statements of Cash Flows

| | Year Ended | |
|---|----------------|-----------------|
| | June 30 | |
| | 2020 | 2019 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (6,271,108) | \$ (11,922,163) |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Net realized and unrealized losses (gains) on investments | 91,507 | (92,632) |
| Depreciation | 421,529 | 507,206 |
| Deferred rent | 1,238,488 | (56,507) |
| Present value discount | - | (70,811) |
| Bad debt recovery | (7,993) | (166,480) |
| Loss on disposal of asset | 167,041 | 457,496 |
| Write-off of pledge due to project cancellation | - | 145,170 |
| Change in split interest agreements | (10,183) | (10,430) |
| Post retirement benefit adjustment | 148,322 | (995,242) |
| Gain on exit of rental obligation | (841,541) | (203,449) |
| Changes in assets and liabilities | | |
| Grants and contracts receivable | (172,343) | (1,179,228) |
| Prepaid expenses and other assets | (488,378) | (618,073) |
| Contributions receivable | 5,461,223 | 10,785,928 |
| Accounts payable and accrued expenses | (3,828,381) | 1,296,176 |
| Subtenant deposit | 304,696 | - |
| Advances from USAID | 70,536 | (1,664,077) |
| Net Cash from Operating Activities | (3,716,585) | (3,787,116) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of investments | (1,064,007) | (1,337,776) |
| Proceeds from sale of investments | 2,275,037 | 2,923,999 |
| Proceeds from VEBA retirement investment | 1,928,324 | - |
| Purchase of property and equipment | (196,222) | (428,356) |
| Net Cash from Investing Activities | 2,943,132 | 1,157,867 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from PPP loan payable | 944,582 | - |
| Net Change in Cash and Cash Equivalents | 171,129 | (2,629,249) |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of year | 8,669,998 | 11,299,247 |
| End of year | \$ 8,841,127 | \$ 8,669,998 |

See notes to financial statements

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

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, gender and gender-based violence prevention, training, counseling, evaluation, and research. These activities are generally for the benefit of specific country programs and they may include financial support in the form of grants, contracts 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 reproductive health 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, 2020 and 2019

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.

Adoption of New Accounting Policies

Recognition of Contributions

Effective July 1, 2019, EngenderHealth adopted Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance provides a framework for evaluating whether grants and contributions should be accounted for as exchange transactions or as nonexchange transactions. Analysis of various provisions of this standard resulted in no significant changes in the way EngenderHealth recognizes contributions, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

Revenue from Contracts with Customers

Effective July 1, 2019, EngenderHealth adopted ASU 2014-09, *Revenue from Contracts with Customers*, as amended. The guidance provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The new revenue recognition guidance does not apply to how contributions and pledges are recognized, as they are specifically scoped out of the new guidance.

The core principle of the new guidance is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services to customers. The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers. In addition, this guidance requires new or expanded disclosures related to judgments made by entities when following this framework.

Analysis of various provisions of this standard resulted in no changes in the way EngenderHealth recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Policies (continued)

Restricted Cash

Effective July 1, 2019, the Organization adopted ASU 2016-18 "*Statement of Cash Flows (Topic 230): Restricted Cash*" for all periods presented. ASU 2016-18 requires inclusion of restricted cash with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows to the statement of financial position. Previously, changes in restricted cash were reported on the statement of cash flows as operating, investing or financing activities based on the nature of the underlying activity.

Net Asset Presentation

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, EngenderHealth's net assets are classified as with or without donor restrictions. Net assets without donor restrictions are not subject to donor-imposed stipulations and may be expended at the discretion of management and the Board. Net assets with donor restrictions are those whose use is limited by donors for a specific time period or purpose or are to be held in perpetuity.

Fair Value Measurements

EngenderHealth follows U.S. GAAP guidance on Fair Value Measurements which defines fair value 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.

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.

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.

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

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

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.

Cash and cash equivalents reported on the statement of financial position and the statement of cash flows at June 30:

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| Cash and cash equivalents | <u>\$ 8,240,581</u> | <u>\$ 8,363,000</u> |
| Restricted cash and cash equivalents | | |
| Subtenant deposit | 304,696 | - |
| Lease security provision | 261,168 | 261,168 |
| Endowment cash equivalents | <u>34,682</u> | <u>45,830</u> |
| Total restricted cash and cash equivalents | <u>600,546</u> | <u>306,998</u> |
| Total cash and cash equivalents | <u>\$ 8,841,127</u> | <u>\$ 8,669,998</u> |

Allowance for Doubtful Accounts

An allowance for doubtful accounts is established for receivables 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. 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.

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.

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

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

Contributions

Contributions and unconditional promises to give are recorded as revenue when signed pledges are made and are classified as without donor restrictions or with donor restrictions support based on the presence or absence of donor restrictions. Verbal and written intentions to contribute amounts are not recorded in these financial statements because they do not meet 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 receivables 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. At June 30, 2020 and 2019, management determined that grants and contract receivables are fully collectible. 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 capitalized 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, computer software 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.

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.

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

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

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 postretirement healthcare benefits changes other than net periodic benefit cost/credit and other activities not affecting operations 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 at 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. Specific expenses that are readily identifiable to a single program or activity are charged to that function. Certain expenses are attributable to more than one program or supporting function and have been allocated in a reasonable ratio by management. These expenses include salaries, employee benefits, professional fees and contract service payments, travel, training and other activities, rent and utilities, and equipment purchases, rental and supplies, which are allocated based on estimates of time and effort.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs were \$8,891 and \$19,037 for 2020 and 2019, respectively.

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

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, 2017.

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 January 28, 2021.

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 (See Note 13). 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.

4. Fair Value Measurements

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

| | 2020 | | | |
|---|---------------------|-------------|-------------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Common stocks | \$ 1,089,796 | \$ - | \$ - | \$ 1,089,796 |
| Corporate debt securities | 927,771 | - | - | 927,771 |
| U.S. Treasury securities | 168,605 | - | - | 168,605 |
| Real estate mutual funds | 33,485 | - | - | 33,485 |
| Total Investments | <u>\$ 2,219,657</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,219,657</u> |
| Fair value of split interest agreements | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 216,483</u> | <u>\$ 216,483</u> |

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

4. Fair Value Measurements (continued)

| | 2019 | | | Total |
|---|--------------|-----------|------------|--------------|
| | Level 1 | Level 2 | Level 3 | |
| Common stocks | \$ 1,816,832 | \$ - | \$ - | \$ 1,816,832 |
| Corporate debt securities | 1,360,696 | - | - | 1,360,696 |
| U. S. Treasury securities | 197,059 | - | - | 197,059 |
| Real estate mutual funds | 100,993 | - | - | 100,993 |
| Total | 3,475,580 | - | - | 3,475,580 |
| Life annuity | - | 46,614 | - | 46,614 |
| Total Investments | \$ 3,475,580 | \$ 46,614 | \$ - | \$ 3,522,194 |
| Fair value of split interest agreements | \$ - | \$ - | \$ 226,666 | \$ 226,666 |

EngenderHealth recognizes transfers between levels in the fair value hierarchy on the date of the event or change in circumstances that causes the transfer. There were no transfers between levels for the years ended June 30, 2020 and 2019.

The following is a reconciliation of the beginning and ending balances for Level 3 liabilities as of June 30:

| | 2020 | 2019 |
|--------------------------------------|------------|------------|
| Beginning balance | \$ 226,666 | \$ 237,096 |
| Change in value of annuities payable | (10,183) | (10,430) |
| Ending balance | \$ 216,483 | \$ 226,666 |

Included in investments are those assets held by EngenderHealth relating to certain split-interest agreements, totaling \$338,964 and \$374,420 at June 30, 2020 and 2019, 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:

| | 2020 | 2019 |
|--|-------------|------------|
| Interest and dividends, net of investment management and related fees of \$32,413 and \$38,154 | \$ 78,839 | \$ 87,871 |
| Unrealized losses | (273,017) | (373,401) |
| Realized gains | 181,510 | 466,033 |
| | \$ (12,668) | \$ 180,503 |

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

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 are \$1,640,759 and \$7,101,982 at June 30, 2020 and 2019, respectively. Management determined that contributions receivable are fully collectible. No allowance for doubtful accounts has been established.

During 2019, management wrote off pledges of \$145,170, due to the cancellation of the Shang Ring EIMC, Technical Support to the Government of Bihar and the Uttar Pradesh Family Planning projects.

7. Property and Equipment

Property and equipment at June 30 consist of the following:

| | <u>2020</u> | <u>2019</u> |
|-----------------------------------|--------------------|--------------------|
| Furniture, fixtures and equipment | \$2,685,186 | \$3,263,819 |
| Computer software | 720,857 | 720,857 |
| Leasehold improvements | <u>2,216,898</u> | <u>2,216,898</u> |
| | 5,622,941 | 6,201,574 |
| Accumulated depreciation | <u>(4,281,117)</u> | <u>(4,467,402)</u> |
| | <u>\$1,341,824</u> | <u>\$1,734,172</u> |

8. Net Assets With Donor Restrictions

Net assets with donor restrictions that are temporary in nature are available for the following at June 30:

| | <u>2020</u> | <u>2019</u> |
|------------------------------|---------------------|---------------------|
| Reproductive health programs | \$ 5,652,153 | \$12,944,079 |
| Split-interest agreements | <u>1,109,463</u> | <u>1,119,646</u> |
| | <u>\$ 6,761,616</u> | <u>\$14,063,725</u> |

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

8. Net Assets With Donor Restrictions *(continued)*

For the years ended June 30, 2020 and 2019, perpetually restricted net assets totaling \$2,019,091 provided investment income of \$17,181 and \$119,002, respectively, to support operations.

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>2020</u> | <u>2019</u> |
|---|----------------------|---------------------|
| Reproductive health programs | \$ 11,884,051 | \$13,882,855 |
| Appropriated earnings on endowment fund - operations | <u>59,572</u> | <u>119,002</u> |
| | <u>\$ 11,943,623</u> | <u>\$14,001,857</u> |

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 (“endowment fund”). 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 appropriated the entire balance of an existing quasi-endowment fund for expenditures in fiscal 2019.

(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.

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

9. Endowment Fund *(continued)*

(b) Investment Objectives and Guidelines (continued)

EngenderHealth has a policy whereby 5.5% of the total fair value of the endowment fund's 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.

(c) Classification of Endowment Net Assets

Based on interpretation by the Board of Directors of EngenderHealth as it relates to the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA), and accounting guidance surrounding the management of endowment funds, and absent explicit donor stipulations to the contrary, EngenderHealth classifies net assets with donor restrictions to be held in perpetuity as (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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 as net assets to be held in perpetuity is classified as net assets with purpose restrictions until those amounts are appropriated for expenditure by EngenderHealth in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, EngenderHealth considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (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

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

9. Endowment Fund (continued)

The following is the endowment net asset composition, excluding a third-party perpetual trust and contribution receivables totaling \$25,000 as of June 30, 2020 and 2019.

| | Without Donor Restrictions | | With Donor Restrictions | | Total |
|--|-------------------------------------|-----------------------|-------------------------|-------|---------------------|
| | Board-designated quasi endowment | Purpose Restricted | Held in Perpetuity | Total | |
| Endowment net assets, July 1, 2019 | \$ - | \$ - | \$ 1,994,091 | | \$ 1,994,091 |
| Investment income | - | 66,151 | - | | 66,151 |
| Net depreciation in fair value of investments | - | (48,970) | - | | (48,970) |
| Appropriation for operations | - | (59,572) | - | | (59,572) |
| Endowment net assets, June 30, 2020 | <u>\$ -</u> | <u>\$ (42,391)</u> | <u>\$ 1,994,091</u> | | <u>\$ 1,951,700</u> |

| | Without Donor Restrictions | | With Donor Restrictions | | Total |
|--|-------------------------------------|-----------------------|-------------------------|-------|---------------------|
| | Board-designated quasi endowment | Purpose Restricted | Held in Perpetuity | Total | |
| Endowment net assets, July 1, 2018 | \$ 646,029 | \$ - | \$ 3,319,876 | | \$ 3,965,905 |
| Investment income | 13,268 | 68,184 | - | | 81,452 |
| Net appreciation in fair value of investments | 9,889 | 50,818 | - | | 60,707 |
| Appropriation for operations | (130,306) | (119,002) | - | | (249,308) |
| Board appropriation | (538,880) | - | - | | (538,880) |
| Donor redesignation | - | - | (1,325,785) | | (1,325,785) |
| Endowment net assets, June 30, 2019 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,994,091</u> | | <u>\$ 1,994,091</u> |

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required by donors or by law (underwater endowments). EngenderHealth has interpreted NYPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. Should the value of the endowment fall below the corpus of the gift, the shortfall will be offset with available funds until such time that the value exceeds the corpus. At June 30, 2020, the original gift value of \$1,951,700, and deficiencies of \$42,391 were reported in net assets with donor restrictions.

During fiscal 2019, management requested permission from certain of the original donors to the endowment fund to redesignate their original contributions to net assets without donor restrictions. As of June 30, 2019, a total of \$1,325,785 was redesignated.

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

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, 2020 and 2019 was \$1,271,864 and \$1,168,523, respectively. Under the terms of the plan, employer contributions are fully vested upon participation in the plan. EngenderHealth contributes 8.5% 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. During fiscal 2019, the plan was funded by an irrevocable Voluntary Employees' Beneficiary Association (VEBA) trust. During April 2020, the VEBA Trust was liquidated and EngenderHealth self-administered the defined benefit post retirement plan.

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 net assets without donor restrictions 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 net assets without donor restrictions 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's funded status of its defined benefit postretirement plan was valued based on Actuarial Standards of Practice No.6. This standard takes into consideration the age of each participant when valuing future claim costs. This 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.

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

10. Benefit Plans (continued)

(b) Postretirement Healthcare Benefits (continued)

On April 30, 2018, EngenderHealth relocated its headquarters from New York City to Washington DC. As a result of the relocation, all active participants in the Plan terminated employment and therefore a curtailment was recognized in fiscal 2019.

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

| | 2020 | 2019 |
|--|---------------------|---------------------|
| Change in benefit obligation | | |
| Benefit obligation at beginning of year | \$ 587,139 | \$ 1,490,175 |
| Service cost | - | 3,116 |
| Interest cost | 24,006 | 26,248 |
| Plan participants' contributions | - | 25,459 |
| Amendments/Curtailments/Special Termination | - | (820,722) |
| Actuarial gain | 100,700 | (29,951) |
| Benefits paid | <u>(107,325)</u> | <u>(107,186)</u> |
| Benefit Obligation at End of Year | <u>604,520</u> | <u>587,139</u> |
| Change in plan assets | | |
| Fair value of plan assets at beginning of year | 2,059,265 | 1,967,059 |
| Actual return on plan assets | (98,354) | 92,206 |
| Employer contributions | 107,325 | 81,727 |
| Plan participants' contributions | - | 25,459 |
| Plan liquidation | (1,960,911) | - |
| Benefits paid | <u>(107,325)</u> | <u>(107,186)</u> |
| Fair Value of Plan Assets at End of Year | <u>-</u> | <u>2,059,265</u> |
| Funded Status at End of Year | <u>\$ (604,520)</u> | <u>\$ 1,472,126</u> |

The table below reflects amounts recognized in net assets without donor restrictions at June 30, 2020 and 2019.

| | 2020 | 2019 |
|------------------------|---------------------|---------------------|
| Net prior service cost | \$ - | \$ 1,785 |
| Net actuarial gain | <u>(412,985)</u> | <u>(557,077)</u> |
| | <u>\$ (412,985)</u> | <u>\$ (555,292)</u> |

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

10. Benefit Plans (continued)

(b) Postretirement Healthcare Benefits (continued)

Other changes in plan assets and benefit obligation recognized in changes in net assets without donor restrictions are as follows:

| | 2020 | 2019 |
|--|------------|--------------|
| Net periodic postretirement benefit cost | | |
| Service cost | \$ - | \$ 3,116 |
| Interest cost | 24,006 | 26,248 |
| Expected return on plan assets | (89,696) | (118,024) |
| Amortization of prior service cost | 1,785 | 4,837 |
| Amortization of net gain | (34,734) | (35,973) |
| Curtailment credit | - | (777,343) |
| Settlement credit | - | (360,558) |
| Net Periodic Postretirement Benefit Cost | (98,639) | (1,257,697) |
| Unamortized actuarial loss/(gain) | 412,985 | (4,133) |
| Unamortized curtailment and settlement gain | - | (820,722) |
| Amortization of prior service cost | (1,785) | (4,837) |
| Amortization of actuarial gain | 34,734 | 35,973 |
| Amortization of curtailment and settlement gain | - | 1,137,901 |
| Total Changes Recognized in Net Assets Without Donor Restrictions | 445,934 | 344,182 |
| Total Recognized in Net Periodic Postretirement Benefit Cost and Net Assets Without Donor Restrictions | \$ 347,295 | \$ (913,515) |

The estimated prior service and experience loss that will be amortized from net assets without donor restrictions into net periodic benefit cost over the next fiscal year are as follows:

| | |
|--------------------------|-----------|
| Amortization of net gain | \$ 35,253 |
|--------------------------|-----------|

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

10. Benefit Plans (continued)

(b) Postretirement Healthcare Benefits (continued)

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

| | 2020 | 2019 |
|---|--------|--------|
| Weighted average assumptions as of the measurement date | | |
| Discount rate - benefit obligation | 3.50% | 3.07% |
| Discount rate - net periodic benefit cost | 3.07% | 4.10% |
| 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 (post-65) | 4.50% | 4.75% |
| Healthcare cost trend rate assumed for next year | | |
| - prescription drug | 0.00%* | 9.00%* |
| Rate to which the cost trend rate is assumed to decline (the ultimate trend rate) | 3.00% | 3.78% |
| Year that the rate reaches the ultimate trend | 2023 | 2075 |

* During fiscal 2020, the prescription drug healthcare cost trend rate assumption was blended with the medical (post-65) healthcare cost trend rate assumption.

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 decrease |
|---|----------------------|----------------------|
| Effect on postretirement benefit obligation | \$ 37,444 | \$ (33,771) |

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, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

10. Benefit Plans (continued)

(b) Postretirement Healthcare Benefits (continued)

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 a single class or 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.

At June 30, 2019, the plan assets were included in EngenderHealth's investment portfolio. The target and current asset allocations of the plan at June 30, 2019 are as follows:

| | Target | Actual |
|---------------------------|-----------|--------|
| Equity securities | 25% - 65% | 57% |
| Debt securities | 25% - 65% | 39% |
| Cash and cash equivalents | 0% - 20% | 1% |
| Other | 0% - 25% | 3% |

Plan assets at June 30, 2019 are valued using Level 1 inputs in the fair value hierarchy. All are mutual funds and are summarized as follows:

| | |
|---|--------------|
| Equity - domestic stock | \$ 688,983 |
| Equity - international and emerging markets | 478,622 |
| Fixed income - government agencies | 236,136 |
| Fixed income - corporate bonds | 538,847 |
| U.S. Treasury securities | 20,345 |
| Short-term investments | 26,384 |
| Real estate and other | 69,948 |
| | \$ 2,059,265 |

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

| | |
|-------------|------------|
| 2021 | \$ 70,500 |
| 2022 | 65,496 |
| 2023 | 60,588 |
| 2024 | 55,330 |
| 2025 | 49,288 |
| 2026 - 2030 | 175,227 |
| Total | \$ 476,429 |

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

10. Benefit Plans (continued)

(b) Postretirement Healthcare Benefits (continued)

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. Some retired participants contribute 100% and some retired participants contribute 50% of the premium cost of their benefits EngenderHealth contributes the remainder.

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. 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, 2020. In addition, the tax was repealed in 2019. 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) In April 2018, EngenderHealth relocated its headquarters to 505 9th Street NW in Washington, DC, under a lease agreement expiring on September 15, 2022.

EngenderHealth had maintained its headquarters at 440 Ninth Avenue in New York City under a lease that 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, the Washington, DC lease and leases maintained at various foreign office locations are as follows:

| | |
|------------|---------------------|
| 2021 | \$ 1,523,558 |
| 2022 | 1,365,627 |
| 2023 | 1,294,749 |
| 2024 | 1,074,101 |
| 2025 | 1,001,144 |
| Thereafter | <u>2,669,717</u> |
| | <u>\$ 8,928,896</u> |

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

11. Commitments and Contingencies (*continued*)

Minimum rental commitments do not include utilities or annual operating escalation charges, which are also payable under the office leases. Accounts payable and accrued expenses include \$601,440 and \$1,840,928 as of June 30, 2020 and 2019 respectively, of deferred rent related to the amount of straight-lined rent expensed in advance of rental payments made. Rent expense was \$637,589 and \$1,697,225 for the years ended June 30, 2020 and 2019, respectively.

In conjunction with the New York City lease, EngenderHealth has a letter of credit with Citibank 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.

- (b) On April 30, 2018, EngenderHealth relocated its headquarters from New York City to Washington, DC. At June 30, 2019, the remaining lease obligation on the New York City office space was \$8,386,395. At June 30, 2020 and 2019, EngenderHealth estimated the liability on the exit of its rental obligation to be \$12,950 and \$854,491, respectively. These amounts are reported in accounts payable and accrued expenses in the statements of financial position.

On February 11, 2020, EngenderHealth entered into a sublease agreement with an organization for the space at 440 Ninth Avenue in New York City that expires on February 27, 2028. Under the lease agreement the subtenant agrees to pay a base rent with annual escalations. Future annual rental income under the sublease agreement is as follows:

| | |
|------------|---------------------|
| 2021 | \$ 919,801 |
| 2022 | 942,816 |
| 2023 | 988,194 |
| 2024 | 1,078,134 |
| 2025 | 1,105,067 |
| Thereafter | <u>3,082,036</u> |
| | <u>\$ 8,116,048</u> |

- (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.

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

12. Paycheck Protection Program Loan Payable

On April 30, 2020, EngenderHealth received loan proceeds in the amount of \$944,582 under the Paycheck Protection Program (the "PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times the 2019 average monthly payroll expenses of the qualifying entity. The PPP loan bears an interest rate of 1% per annum. All or a portion of the PPP loan principal and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act, over a period of either eight or twenty-four weeks (the "Covered Period"). The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries below a certain threshold during the Covered Period and does not qualify for certain safe harbors. The unforgiven portion of the PPP loan, if any, is payable within two years from the date of the loan. Loan payments of principal or interest are deferred until the amount of loan forgiveness is determined by the United States Small Business Administration ("SBA"). If EngenderHealth does not apply for forgiveness, payments begin approximately 24 months after the loan date.

EngenderHealth intends to use all the proceeds received in accordance with regulations established by the PPP. Management believes its use of the proceeds, including amounts expended through June 30, 2020, will be forgiven. The entire amount received under the PPP is reported as a loan payable in the statement of financial position at June 30, 2020.

13. Significant Funders

Total contributions and private grants revenue received from three donors aggregated to 75% during 2020. Total contributions and private grants revenue received from one donor aggregated to 29% during 2019. In addition, contributions receivable from one donor aggregated to 98% at June 30, 2020. Contributions receivable from two donors aggregated to 98% at June 30, 2019.

During the years ended June 30, 2020 and 2019, 37% and 67%, respectively, of operating revenues and other support were received from the U.S. government, either directly or through pass-through agencies. In 2020 and 2019, 76% and 79%, 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.

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

14. 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 net assets without donor restrictions. Gains from foreign currency translation of \$207,749 and \$13,912 during the years ended June 30, 2020 and 2019, respectively, and are included in other expenses on the statements of functional expenses.

15. Grant Agreement

In August 2017, the State of the Netherlands pledged and agreed to provide EngenderHealth with a five-year contract of \$9,333,889 to be used for the AGO project – Afar. In May 2019, the State of the Netherlands amended the contract to increase funding by an additional \$1,706,385. During the years ended June 30, 2020 and 2019, EngenderHealth received advances of \$2,388,693 and \$3,819,773, respectively, and incurred expenses of \$3,228,328 and \$3,234,912, respectively. The unspent advances of \$228,294 and \$1,067,929 are included in accounts payable and accrued expenses on the statements of financial position at June 30, 2020 and 2019, respectively.

16. Liquidity and Availability of Financial Assets

Financial assets available for general expenditures, that is without donor or other restrictions limiting their use within one year of the statement of financial position date, are comprised of the following at June 30:

| | 2020 | 2019 |
|---|--------------|--------------|
| Financial Assets | | |
| Cash and cash equivalents | \$ 8,841,127 | \$ 8,669,998 |
| Grants and contracts receivable | 1,837,756 | 1,657,420 |
| Contributions receivable | 1,640,759 | 7,101,982 |
| Investments | 200,566 | 1,503,103 |
| Total Financial Assets | 12,520,208 | 18,932,503 |
| Less amounts unavailable for general expenditures within one year due to: | | |
| Donor imposed restrictions | (6,761,616) | (14,063,725) |
| Subtenant deposit | (304,696) | - |
| Lease security provision | (261,168) | (261,168) |
| Endowment cash equivalents | (34,682) | (45,830) |
| | (7,362,162) | (14,370,723) |
| Financial Assets Available to Meet General Expenditures Over the Next Twelve Months | \$ 5,158,046 | \$ 4,561,780 |

EngenderHealth, Inc.

Notes to Financial Statements
June 30, 2020 and 2019

16. Liquidity and Availability of Financial Assets *(continued)*

As part of EngenderHealth's strategy, management structures its financial assets, consisting of cash and cash equivalents, receivables and investments to be available as its general expenditures and liabilities come due within one year. EngenderHealth receives cash flow from various government and not-for-profit entities and foundations to fund its programs to meet future cash flow needs.

17. Risk and Uncertainties

EngenderHealth's operations and financial performance may be affected by the recent coronavirus outbreak which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, EngenderHealth may experience a disruption in operations as well as a decline in revenue and support activities. The effects of the outbreak on EngenderHealth's future business, financial condition and results of operations cannot be determined at this time.

* * * * *