

**Hesperian Health Guides**

Financial Statements

Year ended June 30, 2016

with

Report of Independent Auditors

Report of Independent Auditors

To the Board of Directors  
of Hesperian Health Guides

We have audited the accompanying financial statements of Hesperian Health Guides (Hesperian) which comprise the statements of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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; 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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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 Hesperian as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

***Report on Summarized Comparative Information***

We have previously audited the financial statements of Hesperian as of and for the year ended June 30, 2015 and, in our report dated October 20, 2015, we expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which the management of Hesperian derived it.

  
Wilson Markle Stuckey Hardesty & Bott, LLP  
Larkspur, California  
October 5, 2016

**Hesperian Health Guides**  
**Statements of Financial Position**  
**June 30, 2016 and 2015**

	2016	2015
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 160,300	\$ 460,479
Contributions receivable	107,329	148,500
Accounts receivable	23,089	53,643
Other receivables	1,205	3,058
Inventory	210,637	199,105
Total current assets	502,560	864,785
Property and equipment, net	3,275	2,076
Deposit and prepaid expenses	53,032	45,382
Total assets	\$ 558,867	\$ 912,243
<b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable	\$ 12,582	\$ 22,058
Grants payable	17,449	26,777
Accrued liabilities	109,986	109,714
Total current liabilities	140,017	158,549
Deferred rent	26,824	17,721
Net assets		
Unrestricted	73,378	271,607
Temporarily restricted	318,648	464,366
Total net assets	392,026	735,973
Total liabilities and net assets	\$ 558,867	\$ 912,243

See accompanying notes.

**Hesperian Health Guides**  
Statement of Activities and Changes in Net Assets  
Year ended June 30, 2016 with comparative totals only for the year ended June 30, 2015

	Unrestricted	Temporarily Restricted	2016 Totals	2015 Totals
Support and revenue				
Contributions - foundations	\$ 342,000	\$ 289,708	\$ 631,708	\$ 716,528
Contributions - individuals	290,437	94,067	384,504	293,458
Contributions - corporations	1,839	50,250	52,089	32,000
Government grants	31,192	-	31,192	-
Publication revenue	227,675	-	227,675	261,300
Digital revenue	9,043	-	9,043	35,127
Planned giving	8,400	-	8,400	384,000
Interest and other income	13,603	-	13,603	12,080
Net assets released from restrictions	579,743	(579,743)	-	-
<b>Total support and revenue</b>	<b>1,503,932</b>	<b>(145,718)</b>	<b>1,358,214</b>	<b>1,734,493</b>
Expenses				
Program services:				
Book development	493,116	-	493,116	484,081
Digital platform	272,652	-	272,652	404,069
Health outreach	341,560	-	341,560	375,432
Fulfillment	169,371	-	169,371	159,476
<b>Total program services</b>	<b>1,276,699</b>	<b>-</b>	<b>1,276,699</b>	<b>1,423,058</b>
Supporting services:				
Management and general	170,143	-	170,143	168,519
Fundraising	255,319	-	255,319	253,749
<b>Total supporting services</b>	<b>425,462</b>	<b>-</b>	<b>425,462</b>	<b>422,268</b>
<b>Total expenses</b>	<b>1,702,161</b>	<b>-</b>	<b>1,702,161</b>	<b>1,845,326</b>
Change in net assets	(198,229)	(145,718)	(343,947)	(110,833)
Net assets, beginning of year	271,607	464,366	735,973	846,806
Net assets, end of year	\$ 73,378	\$ 318,648	\$ 392,026	\$ 735,973

See accompanying notes.

**Hesperian Health Guides**  
Statement of Functional Expenses  
Year ended June 30, 2016 with comparative totals only for the year ended June 30, 2015

	Program Services				Supporting Services		2015 Totals			
	Book Development	Digital Platform	Health Outreach	Fulfillment	Totals	Management and General		Fundraising	Totals	
Salaries	\$ 343,077	\$ 175,800	\$ 184,732	\$ 64,523	\$ 768,132	\$ 115,626	\$ 177,243	\$ 292,869	\$ 1,061,001	\$ 1,048,060
Payroll taxes	27,855	14,623	15,510	5,460	63,448	9,646	14,608	24,254	87,702	53,581
Benefits	39,342	20,592	22,264	7,857	90,055	13,511	20,654	34,165	124,220	183,747
<b>Total personnel</b>	<b>410,274</b>	<b>211,015</b>	<b>222,506</b>	<b>77,840</b>	<b>921,635</b>	<b>138,783</b>	<b>212,505</b>	<b>351,288</b>	<b>1,272,923</b>	<b>1,285,388</b>
Advertising	140	87	133	27	387	46	68	114	501	5,365
Complimentary copies	2,674	211	15,464	-	18,349	312	1,465	1,777	20,126	34,639
Cost of goods sold	-	-	-	53,445	53,445	-	-	-	53,445	36,706
Depreciation	-	949	-	-	949	-	-	-	949	2,733
Field testing	3,918	-	-	-	3,918	-	-	-	3,918	5,414
Financial fees, licenses and royalties	2,997	2,176	1,765	8,503	15,441	2,331	3,983	6,314	21,755	22,234
Grants to partners	11,783	4,730	9,700	-	26,213	-	-	-	26,213	72,522
Gratis shipping	-	-	10,802	-	10,802	-	-	-	10,802	11,118
Insurance	1,811	921	987	341	4,060	620	939	1,559	5,619	4,410
Memberships and publications	350	192	2,488	49	3,079	317	72	389	3,468	3,658
Miscellaneous and small purchases	474	293	559	91	1,417	156	229	385	1,802	6,407
Occupancy	34,016	19,158	19,905	7,066	80,145	12,173	17,998	30,171	110,316	112,417
Office supplies and communications	3,788	2,304	3,193	2,761	12,046	1,620	2,755	4,375	16,421	17,212
Postage and shipping	360	47	4,032	16,467	20,906	328	5,406	5,734	26,640	33,805
Printing and copying	2,238	914	1,732	283	5,167	523	5,327	5,850	11,017	15,270
Professional services	10,749	20,730	27,923	255	59,657	9,655	1,200	10,855	70,512	113,020
Software and related	507	1,025	282	831	2,645	894	257	1,151	3,796	3,665
Travel, events and training	5,175	118	18,992	37	24,322	1,771	2,041	3,812	28,134	37,065
Web hosting services	1,862	7,782	1,097	1,375	12,116	614	1,074	1,688	13,804	20,278
<b>Total expenses</b>	<b>\$ 493,116</b>	<b>\$ 272,652</b>	<b>\$ 341,560</b>	<b>\$ 169,371</b>	<b>\$ 1,276,699</b>	<b>\$ 170,143</b>	<b>\$ 255,319</b>	<b>\$ 425,462</b>	<b>\$ 1,702,161</b>	<b>\$ 1,845,326</b>

See accompanying notes.

**Hesperian Health Guides**  
**Statements of Cash Flows**  
Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ (343,947)	\$ (110,833)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	949	2,733
Changes in certain assets and liabilities		
Contributions receivable	41,171	91,749
Accounts receivable	30,554	(19,668)
Other receivables	1,853	11,079
Inventory	(11,532)	22,532
Deposit and prepaid expenses	(7,650)	(1,049)
Accounts payable	(9,476)	6,638
Grants payable	(9,328)	(18,508)
Accrued liabilities	272	5,917
Deferred rent	9,103	8,784
	<u>(298,031)</u>	<u>(626)</u>
Cash flows from investing activities		
Purchases of property and equipment	(2,148)	(2,595)
	<u>(2,148)</u>	<u>(2,595)</u>
Cash used by investing activities		
	<u>(2,148)</u>	<u>(2,595)</u>
Change in cash and cash equivalents	(300,179)	(3,221)
Cash and cash equivalents, beginning of year	460,479	463,700
Cash and cash equivalents, end of year	<u>\$ 160,300</u>	<u>\$ 460,479</u>

See accompanying notes.

**Hesperian Health Guides**  
Notes to Financial Statements  
June 30, 2016

Note 1 – Organization and nature of activities

For over 40 years, Hesperian Health Guides has helped people take greater control over their health and lives. The organization develops, produces, and distributes simply written, illustrated, motivating materials that provide people, regardless of educational background, with comprehensive information and practical solutions to take action on a range of health problems.

When provided with Hesperian's clear and practical information people can, and do, take charge of their health: seeking health services where they exist, responsibly delivering basic care where there are no services, and improving conditions in their homes, neighborhoods and communities. Millions of people from 222 countries and territories rely on Hesperian resources. They include parents, caregivers, community volunteers, community health workers, teachers, health promoters, humanitarian and aid workers, Peace Corps volunteers, staff of international NGOs, and staff at country-level ministries of health. With an "open copyright" policy, Hesperian encourages other organizations and individuals to reproduce, translate and adapt its publications for distribution on a not-for-profit basis. Hesperian guides are now available in 85 languages, with 293 titles in all. Hesperian develops publications in collaboration with health workers and grassroots organizations from around the world. These partners participate in all phases of publication development including defining the scope and content, contributing to, and reviewing and field-testing of draft materials.

This year Hesperian produced and released: a new publication *Recruiting the Heart, Training the Brain* sharing how to build a community-based organization to prevent and treat chronic health conditions, the French edition of *A Book for Midwives*, *The Childbirth Picture Book* in English, Spanish, and French, a new Haitian Kreyol edition of *Where There Is No Doctor*, a new e-book *Working Together to Stop Obstetric Fistula* and e-books on sanitation and pesticides in English and Spanish. In response to the Zika crisis, Hesperian quickly created and widely distributed Zika Fact Sheets in 5 languages. *New Where There Is No Doctor* modules on diabetes and cancer were tested and released, while multiple chapters of *Helping Children Affected by HIV* were field-tested. Spanish-language training materials on chemical safety for low-wage workers were created and tested, and Spanish-language adaptations of *Workers' Guide to Health and Safety* and *Health Actions for Women* were initiated. Hesperian staff supported partners working on 95 adaptations of Hesperian materials, into Bahasa, Bambara, Bangla, Chinese, French, Haitian Kreyol, Khmer, Lao, Malagasy, Nepali, Portuguese, Somali, Swahili, Urdu, Uzbek, Vietnamese and many more languages.

**Hesperian Health Guides**  
Notes to Financial Statements  
June 30, 2016

Note 1 – Organization and nature of activities (continued)

Hesperian's website supports free access to its publications. This year over 5 million people used Hesperian's online health information, now in 15 languages on the HealthWiki, a mobile-friendly platform accessible even in locations with low bandwidth and intermittent connectivity. PDF versions of Hesperian books are also available in 35 languages for free download. Hesperian's Gratis Book Program sends free books to health workers, educators, and community leaders around the world who cannot afford them even at a deeply discounted price, distributing more than 1,300 free books this year.

Hesperian formatted and released three full publications in the HealthWiki this year – *Health Actions for Women* (in English), *Workers' Guide to Health and Safety* (in English), and *A Community Guide to Environmental Health* (in Chinese) – in addition to multiple chapters of *New Where There Is No Doctor* in English, French, Haitian Kreyol, Portuguese, Somali, Spanish and Swahili.

Note 2 – Summary of significant accounting policies

Basis of accounting

Hesperian prepares its financial statements using the accrual basis of accounting. Hesperian records revenues when earned and expenses when incurring the related obligations.

Basis of presentation

Hesperian presents information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The three classes are differentiated by donor restrictions.

*Unrestricted net assets* – consist of resources which have not been specifically restricted by a donor. Unrestricted net assets may be designated for specific purposes by Hesperian or may be limited by contractual agreements with outside parties.



**Hesperian Health Guides**  
Notes to Financial Statements  
June 30, 2016

Note 2 – Summary of significant accounting policies (continued)

*Temporarily restricted net assets* – represent contributions whose use is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of Hesperian pursuant to those stipulations. Temporarily restricted net assets can also include accumulated appreciation of permanently restricted endowment funds that have not been appropriated by the Board in accordance with the California Uniform Prudent Management of Institutional Funds Act of 2008 (UPMIFA).

*Permanently restricted net assets* – represent contributions whose use is limited by donor-imposed stipulations that require the gift to be invested in perpetuity. The income from such invested assets, including realized and unrealized gains, is generally available to support the activities of the organization. Donors may also restrict all or part of the income and/or appreciation from these investments to permanently restricted net assets, resulting in increases/decreases to these net assets. Through the year ended June 30, 2016, Hesperian had received no permanently restricted net assets.

Contributions

Hesperian receives grants primarily to support the development, production and distribution of its educational materials. Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution.

Unrestricted contributions and grants are recorded as unrestricted revenue when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction.

When a restriction expires (that is, 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 statement of activities as net assets released from restrictions.

**Hesperian Health Guides**  
Notes to Financial Statements  
June 30, 2016

Note 2 – Summary of significant accounting policies (continued)

Contributed goods and services

This year, Hesperian's effectiveness was tremendously enhanced by the work of 120 volunteers who contributed approximately 8,838 volunteer hours, working around the world in capacities such as researchers and reviewers, book packers, field testers, translators, website coders, and data analysts.

Donated labor is not recognized as contribution revenue in the financial statements unless the labor is ordinarily purchased and of a specialized nature. Hesperian makes significant use of volunteers with a wide range of skills; however, these services did not meet the criteria for valuation and recordation during the year ended June 30, 2016.

Government grants

Government grants and contracts are conditional cost-reimbursement contracts. Hesperian does not recognize support from these contracts until it fulfills the conditions; generally, by expending costs and performing services to accomplish the requirements of the contracts. As a result, \$43,511 of government grants awarded during the year ended June 30, 2016 has not been recognized in the accompanying financial statements, but will be recognized during the year ended June 30, 2017.

Publication revenue

Hesperian's sources of revenue include publication sales, which Hesperian recognizes upon shipment to the customer.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and on deposit with various commercial banks and a registered investment company (custodian), available on demand.

Contributions receivable

Contributions receivable, all due within one year, consist of grants and pledges due from donors. Pledges receivable consist of uncollected unconditional promises to give. Hesperian records multi-year pledges and pledges originally due in over one year at their present value when pledged.

**Hesperian Health Guides**  
Notes to Financial Statements  
June 30, 2016

Note 2 – Summary of significant accounting policies (continued)

Accounts receivable

Accounts receivable, all due within one year, consist principally of amounts due from publication sales.

Allowance for uncollectible receivables

Hesperian uses the allowance method to account for uncollectible receivables. Under this method, Hesperian reviews all receivables for any problems with collectability. If Hesperian feels that there may be a problem with collections, an allowance is provided for the receivable. When attempts to collect a specific receivable are unsuccessful, the account is considered uncollectible and is written off against the allowance. As of June 30, 2016, Hesperian concluded that an allowance for doubtful accounts was not material to its financial position.

Inventory

Inventory consists of printed materials available for sale at the lower of cost (first-in, first-out basis) or market value. Cost is determined by the manufacturers' printing and binding unit price. Other costs to research, write, edit and field test books are charged to expenses as incurred.

Property and equipment

Property and equipment consist of furniture, equipment and computer software. Hesperian capitalizes purchased and donated property and equipment at cost and fair value, respectively, when such cost or fair value exceeds \$2,000. Maintenance and repair costs are expensed as incurred. Hesperian depreciates property and equipment using the straight-line method over the estimated useful lives of the property and equipment. The estimated useful lives of furniture, equipment and computer software range from five to seven years.

Income taxes

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Interpretation Number 48 (FIN 48), "Accounting for Uncertainty in Income Taxes", an interpretation of FASB Accounting Standards Codification (ASC) 740. Under FIN 48, Hesperian is required to report information regarding its exposure to various tax positions taken by Hesperian and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold.

**Hesperian Health Guides**  
Notes to Financial Statements  
June 30, 2016

Note 2 – Summary of significant accounting policies (continued)

Management believes that Hesperian has adequately addressed all tax positions and that there are no unrecorded tax liabilities. Tax years 2012 to 2015 are open for examination by the Internal Revenue Service and years 2011 to 2015 by the California Franchise Tax Board. Governmental authorities have informed Hesperian that it is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and section 23701d of the California Revenue and Taxation Code.

Additionally, governmental authorities have classified Hesperian as an organization that is not a private foundation under IRC section 509(a)(1) and 170(b)(1)(A)(vi). Consequently, donors are entitled to the highest charitable income tax deduction allowed by law. The management of Hesperian believes that no activities of Hesperian jeopardized its exemption from income taxes or its classification as a “public charity.” Consequently, Hesperian provided no income tax provision herein.

Advertising costs

Hesperian expenses costs incurred for producing and communicating advertising when incurred. Advertising costs for the year ended June 30, 2016 were \$501.

Shipping and handling costs

Shipping and handling costs are included in postage and shipping and gratis shipping expenses. Shipping and handling costs for the year ended June 30, 2016 were \$31,708.

Allocation of functional expenses

Functional expenses of Hesperian include program and supporting expenses. Supporting expenses include management and general, and fundraising. Hesperian records expenses that directly benefit an activity to that specific activity. Hesperian allocates expenses that do not directly benefit an activity between program and supporting based on estimates of the relative benefits to each. Hesperian bases its estimates on either time spent by personnel on various activities or space used by various activities, whichever Hesperian deems more relevant to the particular expense. The management of Hesperian reviews and adjusts the estimates and bases at least annually.

**Hesperian Health Guides**  
Notes to Financial Statements  
June 30, 2016

Note 2 – Summary of significant accounting policies (continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the management of Hesperian to make estimates and assumptions that affect certain amounts and disclosures reported herein. Although Hesperian bases estimates on its knowledge of current events and plans for the future, actual results may vary from estimates.

Prior year summarized comparative information

The financial statements include certain prior year summarized comparative information in total, but not by net asset classification. Such information does not always include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, read such information in conjunction with the financial statements for the year ended June 30, 2015, from which the summarized comparative information was derived. Hesperian has reclassified certain prior year amounts to conform to the current year presentation.

Subsequent events

Hesperian evaluated subsequent events for recognition and disclosure through October 5, 2016, the date on which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2016 that required recognition or disclosure in such financial statements.

Note 3 – Contributions receivable

Contributions receivable as of June 30, 2016, total as follows:

Johns Hopkins Center for Communication Programs	\$ 30,708
Anonymous pledge	20,000
California Communications Access Foundation	15,000
Occupational Safety and Health Administration	12,591
United Methodist - Women's Division	10,000
Several individual pledges	<u>19,030</u>
Total contributions receivable	<u>\$ 107,329</u>

**Hesperian Health Guides**  
Notes to Financial Statements  
June 30, 2016

Note 4 – Property and equipment

Property and equipment as of June 30, 2016, total as follows:

Furniture and equipment	\$ 19,573
Computer software	<u>31,918</u>
Property and equipment, at cost	51,491
Accumulated depreciation	<u>(48,216)</u>
Property and equipment, net	<u>\$ 3,275</u>

Note 5 – Temporarily restricted net assets

As of and during the year ended June 30, 2016, temporarily restricted net assets reconciled as follows:

Program	<u>Beginning</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending</u>
New Where There Is No Doctor	\$ 7,721	\$ 38,508	\$ (46,229)	\$ -
Working Together to Stop Obstetric Fistula	-	5,225	-	5,225
Workers' Guide to Health and Safety	1,209	115,780	(74,757)	42,232
Health Actions for Women	11,340	28,599	(39,123)	816
Helping Children Affected by HIV	114,759	40,000	(154,759)	-
Helping Vulnerable Children	300,000	-	(89,262)	210,738
Latino Health Access	9,612	2,500	(12,112)	-
Multi-book Program	-	55,000	(45,000)	10,000
Digital Commons	6,093	78,208	(66,452)	17,849
Capacity Building	-	30,000	(3,433)	26,567
Gratis Book Program	11,954	27,127	(35,616)	3,465
Translations Partners	-	3,000	(3,000)	-
Healthy Food and Livelihoods Fund	<u>1,678</u>	<u>10,078</u>	<u>(10,000)</u>	<u>1,756</u>
Total	<u>\$ 464,366</u>	<u>\$ 434,025</u>	<u>\$ (579,743)</u>	<u>\$ 318,648</u>

**Hesperian Health Guides**  
Notes to Financial Statements  
June 30, 2016

Note 6 – Concentrations, credit and market risk

Marketable securities are subject to credit and market risks. Credit risk is the probability that parties holding or supporting an investment will default or otherwise fail to perform. Market risk is the inherent change in the value of an investment due to changes in conditions. Hesperian does not invest in speculative investments.

Contributions receivable are subject to collection risk. Collection risk is the probability that the financial condition or other circumstances of a donor may change, reducing or eliminating the subsequent collection of contributions receivable.

At June 30, 2016, contributions receivable from five donors were approximately 82% of total contributions receivable.

Note 7 – Commitments and contingencies

Hesperian leases office space in Berkeley, California. The monthly lease payment at June 30, 2016 was \$9,124. The lease expires August 30, 2019.

The future minimum payments required through the end of the lease agreement total as follows for the years ending June 30:

2017	\$ 110,034
2018	113,328
2019	116,729
2020	<u>19,939</u>
Total future lease payments	<u>\$ 360,030</u>

Rent expense for the year ended June 30, 2016 was \$105,222.

Deferred rent accrued in the accompanying statement of financial position results from the excess of rental expense determined on a straight-line basis during the lease term over monthly cash rental payments.

**Hesperian Health Guides**  
Notes to Financial Statements  
June 30, 2016

Note 7 – Commitments and contingencies (continued)

Hesperian has received support that may be subject to audit or review by the grantor agencies. Management believes that Hesperian has complied with all aspects of the grant provisions and that disallowed costs, if any, would be insignificant to the financial position of Hesperian.

Hesperian has been advised that it is a beneficiary of the proceeds of two estates. Hesperian expects to receive approximately \$30,000. This amount has not been included in the accompanying financial statements and will not be recognized until the amount can be accurately determined.

Note 8 – Retirement plan

Hesperian offers a 403(b) retirement plan and eligible employees may elect to defer a portion of their annual compensation, up to the maximum allowed by the Internal Revenue Service. Hesperian contributes 1% of eligible employees' gross wages. For the year ended June 30, 2016, the employer contribution totaled \$9,675. Employer contributions are vested after three years of employment.