

**HESPERIAN HEALTH GUIDES**  
*(A California Nonprofit Corporation)*  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEAR ENDED JUNE 30, 2012

# HESPERIAN HEALTH GUIDES

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Board of Directors  
Hesperian Health Guides  
Berkeley, California

### **INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying statement of financial position of Hesperian Health Guides (a California nonprofit organization) as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Hesperian Health Guides management. 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 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hesperian Health Guides as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Ken Mierzwinski, CPA  
KPM Accounting & Management Solutions

San Francisco, California  
September 6, 2012

**HESPERIAN HEALTH GUIDES**  
*(A California Nonprofit Corporation)*  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2012**

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 554,224
Accounts receivable	49,109
Grants receivable (Note 3)	386,331
Inventory	<u>211,847</u>
Total current assets	1,201,511
Furniture, equipment and computer software, net of accumulated depreciation of \$90,415 (Note 4)	11,735
Deposit and prepaid expenses	<u>11,982</u>
Total assets	<u><u>\$ 1,225,228</u></u>

**LIABILITIES AND NET ASSETS**

Current liabilities:	
Accounts payable	\$ 29,135
Grants payable	29,200
Accrued liabilities	<u>128,957</u>
Total current liabilities	<u>187,292</u>
Net assets:	
Unrestricted	363,415
Temporarily restricted (Note 6)	<u>674,521</u>
Total net assets	<u>1,037,936</u>
Total liabilities and net assets	<u><u>\$ 1,225,228</u></u>

See accompanying notes to financial statements.

**HESPERIAN HEALTH GUIDES**  
*(A California Nonprofit Corporation)*  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2012**

	Unrestricted	Temporarily Restricted	Total
Support and income:			
Contributions - Foundations	\$ 115,000	\$ 830,987	\$ 945,987
Contributions - Individuals	190,821	35,195	226,016
Publication revenue	354,634	-	354,634
Planned giving	25,000	-	25,000
Interest and other income	6,887	-	6,887
Net assets released from restrictions (Note 6)	1,006,644	(1,006,644)	-
Total support and income	<u>1,698,986</u>	<u>(140,462)</u>	<u>1,558,524</u>
Expenses:			
Program services:			
Book development	542,292	-	542,292
Digital platform	396,638	-	396,638
Health outreach	330,256	-	330,256
Fulfillment	232,720	-	232,720
Total program services	<u>1,501,906</u>	<u>-</u>	<u>1,501,906</u>
Supporting services:			
Management and general	120,373	-	120,373
Fundraising	359,427	-	359,427
Total supporting services	<u>479,800</u>	<u>-</u>	<u>479,800</u>
Total expenses	<u>1,981,706</u>	<u>-</u>	<u>1,981,706</u>
Change in net assets	(282,720)	(140,462)	(423,182)
Net assets, beginning of year	<u>646,135</u>	<u>814,983</u>	<u>1,461,118</u>
Net assets, end of year	<u>\$ 363,415</u>	<u>\$ 674,521</u>	<u>\$ 1,037,936</u>

See accompanying notes to financial statements.

**HESPERIAN HEALTH GUIDES**  
*(A California Nonprofit Corporation)*  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2012**

	Program Services					Supporting Services			Total Funds
	Book Development	Digital Platform	Health Outreach	Fulfillment	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 375,923	\$ 192,813	\$ 180,506	\$ 81,204	\$ 830,446	\$ 68,560	\$ 229,294	\$ 297,854	\$ 1,128,300
Payroll taxes	30,113	15,307	14,280	6,649	66,349	5,576	19,846	25,422	91,771
Benefits	53,409	27,148	25,327	11,794	117,678	9,890	35,200	45,090	162,768
Total personnel	459,445	235,268	220,113	99,647	1,014,473	84,026	284,340	368,366	1,382,839
Occupancy	46,274	26,600	24,125	11,312	108,311	8,178	27,632	35,810	144,121
Grants to partners	-	71,619	11,144	-	82,763	-	-	-	82,763
Cost of goods sold	-	-	-	78,448	78,448	-	-	-	78,448
Professional services	9,846	22,342	644	5,099	37,931	18,332	18,144	36,476	74,407
Postage and shipping	1,386	33	3,747	26,885	32,051	311	6,421	6,732	38,783
Travel, events and training	5,565	506	21,301	-	27,372	4,445	2,899	7,344	34,716
Content management system	-	29,543	-	-	29,543	-	-	-	29,543
Complimentary copies	3,047	606	17,728	1,942	23,323	740	2,674	3,414	26,737
Printing and copying	355	-	9,093	43	9,491	183	11,624	11,807	21,298
Gratis shipping	-	-	12,440	-	12,440	-	-	-	12,440
Field testing	12,252	-	-	-	12,252	-	-	-	12,252
Financial fees, licenses and royalties	171	27	59	6,221	6,478	2,454	613	3,067	9,545
Miscellaneous and small purchases	90	6,355	909	84	7,438	-	258	258	7,696
Office supplies and communication fees	426	1,186	2,264	1,932	5,808	272	1,447	1,719	7,527
Depreciation	1,993	1,453	1,181	863	5,490	447	1,415	1,862	7,352
Advertising	-	-	2,849	-	2,849	644	979	1,623	4,472
Memberships and publications	384	550	2,142	-	3,076	140	257	397	3,473
Insurance	1,058	550	517	244	2,369	201	724	925	3,294
Subcontracts	-	-	-	-	-	-	-	-	-
Total expenses	\$ 542,292	\$ 396,638	\$ 330,256	\$ 232,720	\$ 1,501,906	\$ 120,373	\$ 359,427	\$ 479,800	\$ 1,981,706

See accompanying notes to financial statements.

**HESPERIAN HEALTH GUIDES**  
*(A California Nonprofit Corporation)*  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2012**

Cash flows from operating activities:	
Change in net assets	\$ (423,182)
Adjustments to reconcile change in net assets to net cash used for operating activities	
Depreciation	7,352
(Increase) decrease in assets:	
Grants receivable	(286,331)
Accounts receivable	12,971
Inventory	(7,631)
Deposit and prepaid expenses	(83)
Increase in liabilities:	
Accounts payable	(41,911)
Grants payable	16,200
Accrued liabilities	<u>25,976</u>
Net cash used for operating activities	<u>(696,639)</u>
Cash flows from investing activities:	
Purchase of furniture, equipment and computer software	(11,068)
Maturity of short-term investments	<u>632,548</u>
Net cash provided by investing activities	<u>621,480</u>
Net decrease in cash and cash equivalents	(75,159)
Cash and cash equivalents, beginning of year	<u>629,383</u>
Cash and cash equivalents, end of year	<u><u>\$ 554,224</u></u>

See accompanying notes to financial statements.

**HESPERIAN HEALTH GUIDES**  
*(A California Nonprofit Corporation)*  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**(1) ORGANIZATION AND NATURE OF ACTIVITIES**

Hesperian Health Guides has been working for more than 35 years to help people from around the world to take greater control over their health and lives. The organization develops and produces community health manuals and educational materials that enable people with little formal education to recognize, treat and prevent most common illnesses and to work together to change social conditions that undermine health.

Hesperian develops publications in collaboration with health workers and grassroots organizations from around the world. These organizations participate in all phases of the development of the publications including defining the scope and content, contributing to, and reviewing and field-testing of draft materials. Millions of people from 216 countries rely on Hesperian's publications to help them take action for health. They include teachers, health promoters, aid workers, Peace Corps volunteers and staff of international NGOs. As part of its "open copyright" policy, Hesperian encourages other organizations to reproduce, translate and adapt its publications for distribution on a not-for-profit basis. Hesperian guides are available in over 90 languages.

In this fiscal year, Hesperian published 6 chapters of the *New Where There Is No Doctor* in multiple digital formats. Significant progress was made on publications-in-development, including *Community Action for Women's Health and Empowerment*, *A Workers Guide to Health and Safety* and *Helping Children Live with HIV*. Hesperian updated and reprinted *Where There Is No Doctor*, *Where There Is No Dentist*, *Helping Health Workers Learn*, and *Donde no hay doctor para mujeres*. Two books – *Where Women Have no Doctor* and *Donde no hay doctor para mujeres*– were released together on CD.

The Hesperian Digital Commons was launched this fiscal year with health content in 26 languages in a variety of digital formats. The Digital Commons enables easy customization and adaptation of health information and further expands Hesperian's distribution network. It features a multilingual healthwiki (a lightweight format for easier download), an image library with 10,000 searchable images and nine bilingual partner-managed hubs. Hesperian successfully released its first I-phone and Android mobile app, *Safe Pregnancy and Birth*. The app has already been downloaded in over 200 countries.

During the fiscal year, Hesperian supported the translation of chapters of the *New Where There Is No Doctor* and the digitization of these chapters in 10 languages including Portuguese, French, Lao, Khmer, Arabic, Urdu, Haitian Kreyol, Filipino and Spanish. On its website Hesperian provided free access to digital versions of its publications. Hesperian has a Gratis Book Fund which distributes free books to health workers, educators, and community leaders who cannot afford them even at a deeply discounted price. The Gratis Fund distributed 1377 free books and pamphlets this year.

Along with a new logo and redesigned website (which provides easy access to the Digital Commons), Hesperian successfully enhanced its visibility and name recognition in fiscal year 2012. As part of this process, and to better reflect its mission and values, the organization changed its name from Hesperian Foundation to Hesperian Health Guides.



**HESPERIAN HEALTH GUIDES**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period incurred.

**(b) Basis of Presentation**

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Hesperian and changes therein are classified and reported as follows:

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Hesperian and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**(c) Cash and Cash Equivalents**

Hesperian considers cash on hand, cash on deposit, and investments with original maturities of ninety days or fewer at the time of purchase to be cash and cash equivalents.

Cash and cash equivalents totaled \$554,224 for the year ended June 30, 2012. Cash and cash equivalents are tied to restricted multi-year grants.

**(d) Furniture, Equipment and Computer Software**

Furniture, equipment and computer software are stated at cost or, if donated, at estimated fair value on the date of the gift. Hesperian capitalizes assets with a cost greater than \$2,000 and a life expectancy of more than one year. Maintenance and repair costs are expensed as incurred. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, which are as follows:

Computers and equipment	5 years
Furniture and fixtures	7 years

Depreciation expense charged to operations was \$7,352 for the year ended June 30, 2012.

**HESPERIAN HEALTH GUIDES**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**(e) *Inventory***

Inventory consists of printed materials available for sale stated 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 publish books are charged to expense as incurred. Inventory totaled \$211,847 for the year ended June 30, 2012.

**(f) *Donated Goods and Services***

This year Hesperian's effectiveness was greatly enhanced by the work of 233 volunteers who contributed approximately 15,943 volunteer hours, working around the world in capacities such as researchers and reviewers, book packers, field testers, translators, website coders, business model and media consultants. Donated labor consisting of volunteer labor is not recognized as contribution revenue in the financial statements unless such labor is ordinarily purchased and of a specialized nature.

**(g) *Support and Revenue Recognition***

Hesperian receives grants primarily to support the development and production of its educational materials. Hesperian recognizes grants and donor contributions upon the earlier of receipt or when an agreement has been executed. Contributions without donor-imposed restrictions are reported as unrestricted support. Contributions with donor-imposed restrictions are reported as temporarily restricted net assets and are then reclassified to unrestricted net assets when the restrictions have been satisfied. Unconditional promises to give are recorded as promises are made. Conditional promises to give are not included as contributions until such time as the conditions are substantially met.

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

**(h) *Income Taxes***

Hesperian is a qualified organization exempt from Federal income and California franchise taxes under the provisions of Sections 501(c)(3) of the Internal Revenue Code and 23701(d) of the California Revenue and Taxation Code, respectively.

**(i) *Functional Allocation of Expenses***

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide the overall support and direction of Hesperian.

**HESPERIAN HEALTH GUIDES**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**(3) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**(3) GRANTS RECEIVABLE**

Grants receivable as of June 30, 2012 are as follows:

Levi Strauss Foundation	\$ 25,000
Kadoorie Charitable Foundation	141,331
Conrad N. Hilton Foundation	<u>220,000</u>
Totals	<u>\$ 386,331</u>

**(4) FURNITURE, EQUIPMENT AND COMPUTER SOFTWARE**

Furniture, equipment and computer software at June 30, 2012 consist of the following:

Furniture and equipment	\$ 59,011
Computer software	<u>43,139</u>
	102,150
Less: Accumulated depreciation	<u>(90,415)</u>
Furniture, equipment and computer software, net	<u>\$ 11,735</u>

**(5) COMMITMENTS AND CONTINGENCIES**

Hesperian rents office facilities pursuant to an operating lease expiring July 31, 2014. For the year ended June 30, 2012, occupancy expense was \$144,121 for office facilities (including security and utilities expenses). Future minimum monthly payments required under the lease through the fiscal year ended June 30, 2013 are \$10,560.

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 HEALTH GUIDES**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**(6) TEMPORARILY RESTRICTED NET ASSETS**

The net assets released during fiscal year 2012 and the temporarily restricted net assets available as of June 30, 2012 reflect the last phase of work Hesperian carried out to meet the deliverables on the three-year grant from the Bill and Melinda Gates Foundation restricted for Hesperian Digital Platform /Where There Is No Doctor for the 21<sup>st</sup> Century..

Temporarily restricted net assets at June 30, 2012 are available for the following purposes:

Project – Publication	Amount
<i>Where There Is No Doctor for the 21<sup>st</sup> Century</i>	\$ 32,171
<i>Community Action for Women’s Health and Empowerment</i>	176,808
<i>Helping Children Live with HIV</i>	331,941
<i>Factory Worker’s Guide to Health and Safety</i>	24,503
Gratis Book Fund	9,098
Multi-Book Projects	<u>100,000</u>
 Total Temporarily Restricted Net Assets Available	 <u>\$ 674,521</u>

Temporarily restricted net assets were released during the year for the following purposes:

Project – Publication	Amount
<u>Hesperian Digital Platform/ <i>Where There Is No Doctor for the 21<sup>st</sup> Century</i></u>	<u>\$ 648,183</u>
<i>Community Action for Women’s Health and Empowerment</i>	208,773
<i>Helping Children Live with HIV</i>	20,200
<i>Factory Worker’s Guide to Health and Safety</i>	65,607
Gratis Book Fund	29,995
Translations and Foreign Editions	12,285
Updates and Reprints	21,163
Advocacy	<u>438</u>
 Total Temporarily Restricted Net Assets Released	 <u>\$ 1,006,644</u>

**(7) CONCENTRATION OF CREDIT RISK**

Financial instruments which potentially subject Hesperian to concentrations of credit risk consist primarily of temporary cash investments held at various financial institutions. Hesperian has not incurred, nor does it anticipate, any losses on these funds. Hesperian Foundation carefully managed credit risk by adhering to FDIC guidelines at all times and maintaining all funds in FDIC insured accounts and financial instruments.

**HESPERIAN HEALTH GUIDES**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**(8) RETIREMENT PLAN**

Hesperian has adopted a 403(b) retirement plan. Eligible employees may elect to defer a portion of their annual compensation, up to the maximum allowed by the Internal Revenue Code. Most employees are eligible to participate. Hesperian set aside \$6,500 in fiscal year 2012 to contribute to this plan.

**(9) SUBSEQUENT EVENTS**

Hesperian has evaluated subsequent events through September 6, 2012, the date which the financial statements were available to be issued. No subsequent events were identified that required accrual or disclosure in the financial statements.