

Hesperian Health Guides

Financial Statements

Year ended June 30, 2022

with

Report of Independent Auditors



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Report of Independent Auditors

To the Board of Directors
of Hesperian Health Guides

Opinion

We have audited the accompanying financial statements of Hesperian Health Guides (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, 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.

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, 2022, 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 of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hesperian Health Guides and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hesperian Health Guide's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in

accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Hesperian Health Guide's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hesperian Health Guide's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the financial statements of Hesperian Health Guides as of and for the year ended June 30, 2021, and in our report dated October 16, 2021, we expressed an unmodified opinion. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

WMB², LLP

WMB², LLP
Larkspur, California
February 4, 2023

Hesperian Health Guides
Statements of Financial Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 2,348,090	\$ 2,938,200
Contributions receivable due within one year	34,275	398,400
Accounts receivable	32,279	29,843
Other receivables	901	660
Inventory	223,243	203,371
Other current assets	<u>-</u>	<u>298,800</u>
Total current assets	2,638,788	3,869,274
Property and equipment, net	1,561,523	31,560
Contributions receivable (long-term)	40,000	60,000
Deposit and prepaid expenses	<u>45,431</u>	<u>50,278</u>
Total assets	<u><u>\$ 4,285,742</u></u>	<u><u>\$ 4,011,112</u></u>
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 18,170	\$ 18,827
Accrued liabilities	136,926	135,030
Grants payable	<u>1,611</u>	<u>5,100</u>
Total current liabilities	156,707	158,957
Net assets		
Without donor restrictions		
Board designated reserve funds	400,000	1,760,550
Undesignated	<u>2,636,124</u>	<u>639,939</u>
	3,036,124	2,400,489
With donor restrictions	<u>1,092,911</u>	<u>1,451,666</u>
Total net assets	<u>4,129,035</u>	<u>3,852,155</u>
Total liabilities and net assets	<u><u>\$ 4,285,742</u></u>	<u><u>\$ 4,011,112</u></u>

See accompanying notes.

Hesperian Health Guides
Statement of Activities and Changes in Net Assets
Year ended June 30, 2022 with comparative totals only for the year ended June 30, 2021

	Without donor restrictions	With donor restrictions	2022 Totals	2021 Totals
Support and revenue				
Contributions - foundations	\$ 373,900	\$ 675,225	\$ 1,049,125	\$ 1,486,900
Contributions - individuals	702,899	79,029	781,928	346,166
Paycheck Protection Program forgivable loan	-	-	-	139,627
Fee for service	39,300	-	39,300	34,772
Publication revenue	302,678	-	302,678	192,528
Digital revenue	5,188	-	5,188	5,797
Bequests	19,340	-	19,340	432,865
Donated Land/Property	-	-	-	298,800
Net investment return	3,014	-	3,014	3,297
Other income	1,039	-	1,039	1,186
Realized gain on sale of donated asset	74,861	-	74,861	-
Net assets released from restrictions	1,113,009	(1,113,009)	-	-
Total support and revenue	2,635,228	(358,755)	2,276,473	2,941,938
Expenses				
Program services:				
Books, Apps and Online Resources	907,696	-	907,696	695,812
Health outreach	489,883	-	489,883	478,075
Fulfillment	178,702	-	178,702	125,041
Total program services	1,576,281	-	1,576,281	1,298,928
Supporting services:				
Management and general	135,796	-	135,796	106,496
Fundraising	287,516	-	287,516	301,210
Total supporting services	423,312	-	423,312	407,706
Total expenses	1,999,593	-	1,999,593	1,706,634
Change in net assets	635,635	(358,755)	276,880	1,235,304
Net assets, beginning of year	2,400,489	1,451,666	3,852,155	2,616,851
Net assets, end of year	\$ 3,036,124	\$ 1,092,911	\$ 4,129,035	\$ 3,852,155

See accompanying notes.

Year ended June 30, 2022 with comparative totals only for the year ended June 30, 2021

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See accompanying notes.

Hesperian Health Guides
Statements of Cash Flows
Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 276,880	\$ 1,235,304
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	10,982	7,890
Changes in certain assets and liabilities		
Gain on sale of donated asset	(74,861)	-
Contributions receivable	384,125	(441,900)
Accounts receivable	(2,436)	39,276
Other receivables	(241)	(53)
Inventory	(19,872)	(3,305)
Deposit and prepaid expenses	4,847	(7,679)
Other current assets	-	(298,800)
Accounts payable	(657)	(1,135)
Accrued liabilities	1,896	9,168
Paycheck Protection Program forgivable loan	-	(139,395)
Grants payable	(3,489)	(16,988)
	<u>577,174</u>	<u>382,383</u>
Cash provided by operating activities		
Cash flows from investing activities		
Proceeds from sale of short-term investments	-	1,527,903
Purchases of property and equipment	(1,540,944)	(39,450)
Proceeds from sale of donated property, net	373,660	-
	<u>(1,167,284)</u>	<u>1,488,453</u>
Cash used for investing activities		
Change in cash and cash equivalents	(590,110)	1,870,836
Cash and cash equivalents, beginning of year	<u>2,938,200</u>	<u>1,067,364</u>
Cash and cash equivalents, end of year	<u>\$ 2,348,090</u>	<u>\$ 2,938,200</u>

See accompanying notes.

Hesperian Health Guides
Notes to Financial Statements
June 30, 2022

Note 1 – Organization and nature of activities

Hesperian Health Guides addresses urgent, emerging, and primary health needs, structural inequalities in health access, and their root causes together with the people most directly affected. Made freely available in multiple languages and formats, our information and educational resources help people around the world take greater control over their health and lives, and support their efforts to eliminate the underlying causes of poor health.

Hesperian creates print and digital materials across issue areas of critical importance to physical and psychological well-being, including primary health care; reproductive, environmental, and children's health; living with chronic illness and disabilities; and workers' health and safety. This year, Hesperian developed, produced, and distributed books, apps and online resources in 44 languages in six program areas: Women's Reproductive Rights and Health, Environmental Health Justice, Free Books/Open Copyright, *NEW Where There Is No Doctor* including mental health, COVID and new epidemics, and Epilepsy and Seizures.

Hesperian employs a unique, culturally sensitive, collaborative method that involves community partners throughout Latin America, Africa, Asia, and the United States, as well as international experts, and national and international organizations. Our long-term goal is Health for All, a systemic change that realizes people's right to health by eliminating not just the biological but the economic, environmental and social causes of illness.

Note 2 – Net assets without donor restrictions

Hesperian Health Guides was the grateful beneficiary of two significant bequests in 2019 and 2020. The Board of Directors approved use of these funds, previously held in a Board-Designated Strategic Reserve Fund, for the \$1,515,000 purchase of a property in Oakland, California finalized in June 2022 for use as an office and permanent home for Hesperian's operations with approval of additional funds estimated to be about \$250,000 to be spent on renovations to the building during fiscal year 2023 (see subsequent events).

At June 30, 2022, net assets without donor restrictions consist of a Board-Designated Operating Reserve Fund of \$400,000 created in 2020 and undesignated funds totaling \$2,636,124. Included in undesignated funds is the value of the building, inventory of books, equipment, and other assets.

Hesperian Health Guides
Notes to Financial Statements
June 30, 2022

Note 3 – Summary of significant accounting policies

Basis of accounting

Hesperian prepares its financial statements using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Hesperian records revenues when earned and expenses when incurring the related obligations.

Net assets

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

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions

Hesperian receives grants primarily to support the development, production and distribution of its educational materials. Contributions, unconditional promises to give, and other assets are recognized at fair values and are recorded as made. All contributions are considered to be without donor restriction unless specifically communicated by the donor. Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When these restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as Net Assets Released from Restrictions. When restrictions are fulfilled in the same period as the contribution is received, Hesperian presents such contributions in the net assets without donor restrictions class.

Hesperian Health Guides
Notes to Financial Statements
June 30, 2022

Note 3 – Summary of significant accounting policies (continued)

Contributed goods and services

This year, Hesperian's effectiveness was tremendously enhanced by the work of 101 volunteers who contributed approximately 5,964 volunteer hours, working around the world in capacities such as researchers and reviewers, book packers, field testers, translators, website coders, and data analysts.

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services are recognized when received if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year ended June 30, 2022, there were no contributed services recognized.

Hesperian makes significant use of volunteers with a wide range of skills as noted above. The value of their contributed time is not reflected in the financial statements since it does not meet the criteria described above.

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. During the year ended June 30, 2022, Hesperian did not receive any government grants.

Fee for service

Fee for service contracts are cost-reimbursement contracts. Hesperian recognizes revenues from cost-reimbursement contracts when incurring the related expenses.

Publication revenue

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

Fair value

Hesperian uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets. Level 3 inputs consist of unobservable inputs that reflect internal judgments and have the lowest priority.

Hesperian Health Guides
Notes to Financial Statements
June 30, 2022

Note 3 – Summary of significant accounting policies (continued)

Hesperian uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, Hesperian measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Hesperian only uses Level 3 inputs when Level 1 or Level 2 inputs are not available.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments with original maturities of three months or less.

Contributions receivable

Contributions receivable 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. As of June 30, 2022, Hesperian concluded that a discount on long-term contributions receivable was not material to its financial position.

Accounts receivable

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

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, 2022, 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.

Hesperian Health Guides
Notes to Financial Statements
June 30, 2022

Note 3 – Summary of significant accounting policies (continued)

Other current asset

Other current asset consisted of a donated piece of land from an individual. The land was sold on July 14, 2021 for \$410,000. Hesperian received \$373,660, net of selling expenses.

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 \$2,500. Maintenance and repair costs are expensed as incurred. Hesperian depreciates property and equipment using the straight-line method over their estimated useful lives ranging from five to seven years.

Deferred revenue

Deferred revenue consists of amounts advanced or drawn down under fee for service contracts that exceed revenue earned.

Income taxes

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. 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.

The management of 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. Management believes that Hesperian has adequately addressed all tax positions and that there are no unrecorded tax liabilities.

Tax years 2018 to 2021 are open for examination by the Internal Revenue Service and years 2017 to 2021 by the California Franchise Tax Board.

Hesperian Health Guides
Notes to Financial Statements
June 30, 2022

Note 3 – Summary of significant accounting policies (continued)

Shipping and handling costs

Shipping and handling costs are included in postage and shipping expenses. This includes shipping of books sent through Hesperian's Gratis Book Program. Shipping and handling costs for the year ended June 30, 2022 were \$21,947.

Advertising costs

Hesperian expenses costs incurred for producing and communicating advertising when incurred. Advertising costs for the year ended June 30, 2022 were \$88,358, including costs for paid social media for the purposes of sharing health information.

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.

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 U.S. GAAP. Accordingly, read such information in conjunction with the financial statements for the year ended June 30, 2021, from which the summarized comparative information was derived.

Reclassifications

Hesperian has reclassified certain prior year amounts to conform to the current year presentation.

Estimates

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

Hesperian Health Guides
Notes to Financial Statements
June 30, 2022

Note 4 – Contributions receivable

Contributions receivable as of June 30, 2022, total as follows:

Tides Foundation	\$ 60,000
Bancker Williams Foundation	13,125
Individual	<u>1,150</u>
Contributions receivable, gross	74,275
Contributions receivable in less than one year	<u>34,275</u>
Contributions receivable in one to five years	<u><u>\$ 40,000</u></u>

Note 5 – Property and equipment

Property and equipment as of June 30, 2022, total as follows:

Building	\$ 1,227,199
Land	303,000
Furniture and equipment	68,670
Computer software	<u>7,734</u>
Property and equipment, at cost	1,606,603
Accumulated depreciation	<u>(45,080)</u>
Property and equipment, net	<u><u>\$ 1,561,523</u></u>

Note 6 – Paycheck Protection Program forgivable loan

On April 30, 2020, Hesperian was granted a loan from Mechanics Bank in the amount of \$139,395, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

Hesperian initially recorded a note payable and subsequently recorded forgiveness when the loan obligation was legally released on March 22, 2021. Hesperian recognized \$139,627 of loan forgiveness income including interest of \$232 for the year ended June 30, 2021.

Hesperian Health Guides
Notes to Financial Statements
June 30, 2022

Note 7 – Net assets with donor restrictions

As of and during the year ended June 30, 2022, net assets with donor restrictions reconciled as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending</u>
<u>Program Restrictions</u>				
NEW Where There Is No Doctor	\$ 10,224	\$ 27,125	\$ (37,349)	\$ -
Epilepsy and Seizures	953,249	-	(146,785)	806,464
Fracking and People's Health	20,160	-	(4,171)	15,989
Digital Commons/ Apps	159,004	695,225	(766,819)	87,410
Gratis Book Program	29,029	15,704	(21,685)	23,048
Translations Partners	-	15,000	(15,000)	-
Healthy Food and Livelihoods Fund	-	1,200	(1,200)	-
Total program restricted net assets	1,171,666	754,254	(993,009)	932,911
<u>Time Restrictions</u>	280,000	-	(120,000)	160,000
Total	<u>\$ 1,451,666</u>	<u>\$ 754,254</u>	<u>\$ (1,113,009)</u>	<u>\$ 1,092,911</u>

Note 8 – Concentrations, credit and market risk

Cash and cash equivalents held by a commercial bank and a registered investment company exceeded federal deposit insurance limits at various times during the year ended June 30, 2022.

Receivables are subject to collection risk. Collection risk is the probability that the financial condition or other circumstances of a contractor/grantor may change, reducing or eliminating the subsequent collection of receivables.

During the year ended June 30, 2022, contributions and bequests received from three donors totaled 49% of total support and revenue.

Note 9 – Commitments and contingencies

Hesperian leases office space on a month-to-month basis in Berkeley, California. Occupancy expense for the year ended June 30, 2022 was \$53,937.

Hesperian Health Guides
Notes to Financial Statements
June 30, 2022

Note 9 – 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.

Note 10 – 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, 2022, the employer contribution totaled \$11,857. Employer contributions are vested after three years of employment.

Note 11 – Liquidity and availability of financial assets

The following reflects Hesperian's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts available include donor restricted amounts that are available for general expenditure in the following year.

Financial assets, at year end:	
Cash and cash equivalents	\$ 2,348,090
Receivables	<u>107,455</u>
	2,455,545
Less those unavailable for general expenditures	
within one year, due to:	
Board designated reserve fund	400,000
Donor restricted funds - time restricted	<u>40,000</u>
	<u>440,000</u>
Financial assets available to meet cash needs	
for general expenditures within one year	<u><u>\$ 2,015,545</u></u>

Hesperian Health Guides
Notes to Financial Statements
June 30, 2022

Note 11 – Liquidity and availability of financial assets (continued)

As part of its liquidity management, Hesperian invests cash in excess of daily requirements in cash equivalents, primarily in money market funds.

Note 12 – Subsequent events

Hesperian evaluated subsequent events for recognition and disclosure through February 4, 2023, the date on which these financial statements were available to be issued. During August - December of 2022, Hesperian invested an estimated \$250,000 in renovations and improvements to the building purchased in June of 2022. In October 2022, Hesperian staff relocated from the rented Berkeley facility and moved into Hesperian's new building in Oakland, California.

Note 13 – Accounting pronouncements - adopted

Effective July 1, 2021, Hesperian adopted FASB ASU 2020-07, *Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets*. Under this ASU, a not-for-profit entity is required to present contributed nonfinancial assets as a separate line-item in the statement of activities, apart from contributions of cash and other financial assets as well as include enhanced disclosures surrounding the nature and valuation techniques of the contributed nonfinancial assets. Hesperian has implemented FASB ASU 2020-07 retrospectively to all periods presented. The implementation had no impact on the previously recorded net assets.