

Hesperian Health Guides

Financial Statements

Year ended June 30, 2020

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, 2020, 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, 2020, 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, 2019 and, in our report dated January 30, 2020, 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, 2019, is consistent, in all material respects, with the audited financial statements from which the management of Hesperian derived it.

WMB², LLP
Larkspur, California
October 12, 2020

Hesperian Health Guides
Statements of Financial Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,067,364	\$ 129,051
Short-term investments	1,527,903	-
Contributions receivable due within one year	16,500	138,037
Accounts receivable	69,119	16,120
Other receivables	607	447
Inventory	200,066	188,066
Other current assets	<u>-</u>	<u>865,000</u>
Total current assets	2,881,559	1,336,721
Property and equipment, net	-	430
Deposit and prepaid expenses	<u>42,599</u>	<u>38,375</u>
Total assets	<u><u>\$ 2,924,158</u></u>	<u><u>\$ 1,375,526</u></u>
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 19,962	\$ 22,255
Accrued liabilities	125,862	109,848
Grants payable	22,088	11,681
Paycheck Protection Program forgivable loan	139,395	-
Notes payable	<u>-</u>	<u>70,000</u>
Total current liabilities	307,307	213,784
Deferred rent	-	929
Net assets		
Without donor restrictions	1,507,952	950,947
With donor restrictions	<u>1,108,899</u>	<u>209,866</u>
Total net assets	<u>2,616,851</u>	<u>1,160,813</u>
Total liabilities and net assets	<u><u>\$ 2,924,158</u></u>	<u><u>\$ 1,375,526</u></u>

See accompanying notes.

Hesperian Health Guides

Statement of Activities and Changes in Net Assets

Year ended June 30, 2020 with comparative totals only for the year ended June 30, 2019

	Without donor restrictions	With donor restrictions	2020 Totals	2019 Totals
Support and revenue				
Contributions - foundations	\$ 421,000	\$ 1,241,000	\$ 1,662,000	\$ 556,063
Contributions - individuals	225,480	136,933	362,413	399,505
Contributions - corporations	-	-	-	750
Fee for service	116,965	-	116,965	57,886
Publication revenue	168,417	-	168,417	135,239
Digital revenue	8,433	-	8,433	5,682
Bequests	536,535	-	536,535	913,964
Net investment return	3,610	-	3,610	77
Other income	7,295	-	7,295	1,959
Realized gain on sale of property	88,144	-	88,144	-
Net assets released from restrictions	478,900	(478,900)	-	-
Total support and revenue	2,054,779	899,033	2,953,812	2,071,125
Expenses				
Program services:				
Content development	207,149	-	207,149	403,136
Digital commons/Apps	450,952	-	450,952	227,051
Health outreach	343,877	-	343,877	307,471
Fulfillment	126,609	-	126,609	108,523
Total program services	1,128,587	-	1,128,587	1,046,181
Supporting services:				
Management and general	102,359	-	102,359	99,887
Fundraising	266,828	-	266,828	250,175
Total supporting services	369,187	-	369,187	350,062
Total expenses	1,497,774	-	1,497,774	1,396,243
Change in net assets	557,005	899,033	1,456,038	674,882
Net assets, beginning of year	950,947	209,866	1,160,813	485,931
Net assets, end of year	\$ 1,507,952	\$ 1,108,899	\$ 2,616,851	\$ 1,160,813

See accompanying notes.

Year ended June 30, 2020 with comparative totals only for the year ended June 30, 2019

See accompanying notes.

Hesperian Health Guides
Statements of Cash Flows
Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 1,456,038	\$ 674,882
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	430	948
Changes in certain assets and liabilities		
Gain on sale of donated property	(88,144)	-
Contributions of short-term investments	(26,750)	-
Contributions receivable	121,537	163,435
Accounts receivable	(52,999)	(3,118)
Other receivables	(160)	1,238
Inventory	(12,000)	8,536
Deposit and prepaid expenses	(4,224)	7,013
Other current assets	-	(865,000)
Accounts payable	(2,293)	1,498
Accrued liabilities	16,014	177
Paycheck Protection Program forgivable loan	139,395	-
Grants payable	10,407	7,907
Deferred rent	(929)	(12,979)
	<u>1,556,322</u>	<u>(15,463)</u>
Cash provided by (used for) operating activities		
Cash flows from investing activities		
Purchase of short-term investments	(1,501,153)	-
Proceeds from sale of donated property	953,144	-
	<u>(548,009)</u>	<u>-</u>
Cash used for investing activities		
Cash flows from financing activities		
Proceeds from notes payable	50,000	50,000
Principal payments on notes payable	(120,000)	(65,000)
	<u>(70,000)</u>	<u>(15,000)</u>
Cash used for financing activities		
Change in cash and cash equivalents	938,313	(30,463)
Cash and cash equivalents, beginning of year	129,051	159,514
Cash and cash equivalents, end of year	<u>\$ 1,067,364</u>	<u>\$ 129,051</u>

See accompanying notes.

Hesperian Health Guides
Notes to Financial Statements
June 30, 2020

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 work 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 digital and print resources in 36 languages in five program areas: COVID-19, Environmental Justice and Health, Free Book/Open Copyright, NEW Where There Is No Doctor, and Women's Reproductive Rights and Health. Hesperian received a \$1 million grant (see note 8) to launch a multi-year effort to create resources on Epilepsy and Seizures.

Hesperian employs a unique, culturally relevant, 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 biological but the economic, environmental and social causes of illnesses.

Note 2 – Net assets without donor restrictions

Hesperian Health Guides has been the grateful beneficiary of two significant bequests in the last two years. The Board of Directors created a \$1.5 million Board Designated Reserve Fund for these financial resources while they evaluate how to best use them to ensure Hesperian's mission, programmatic achievements and long-term stability for the organization.

Hesperian Health Guides
Notes to Financial Statements
June 30, 2020

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 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, 2020

Note 3 – Summary of significant accounting policies (continued)

Contributed goods and services

This year, Hesperian's effectiveness was tremendously enhanced by the work of 108 volunteers who contributed approximately 7,773 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, 2020.

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.

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 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.

Hesperian Health Guides
Notes to Financial Statements
June 30, 2020

Note 3 – Summary of significant accounting policies (continued)

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.

Short-term investments

Short term investments are stated at fair value. Short-term investments consist mainly of fixed income securities with original maturities of twelve months or less. Hesperian reports all other short-term investments at cost. Net investment return consists of interest, dividends, gain or loss on the sale of investments, net of investment management fees. Hesperian recognized net investment return when earned.

Contributions receivable

Contributions receivable consist of grants and pledges due from donors, all due within one year. 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.

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, 2020, 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, 2020

Note 3 – Summary of significant accounting policies (continued)

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 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 2016 to 2019 are open for examination by the Internal Revenue Service and years 2015 to 2019 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.

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, 2020 were \$18,936.

Hesperian Health Guides
Notes to Financial Statements
June 30, 2020

Note 3 – Summary of significant accounting policies (continued)

Advertising costs

Hesperian expenses costs incurred for producing and communicating advertising when incurred. Advertising costs for the year ended June 30, 2020 were \$8,263.

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, 2019, 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.

Subsequent events

Hesperian evaluated subsequent events for recognition and disclosure through October 12, 2020, the date on which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2020 that required recognition or disclosure in such financial statements.

Hesperian Health Guides
Notes to Financial Statements
June 30, 2020

Note 4 – Short-term investments

As of June 30, 2020, short-term investments total as follows:

<u>Class and type</u>	<u>Short-term investments</u>	<u>Level 2</u>
Cash and cash equivalents	\$ 277,793	\$ -
Fixed income securities	1,250,110	1,250,110
Total	<u>\$ 1,527,903</u>	<u>\$ 1,250,110</u>

During the year ended June 30, 2020, Hesperian did not transfer any investments among the different fair value input levels.

During the year ended December 31, 2019, net investment return totals as follows:

Interest	\$ 1,043
Dividends	2,457
Unrealized appreciation	<u>110</u>
Total	<u>\$ 3,610</u>

Note 5 – Receivables

Contributions receivable as of June 30, 2020, total as follows:

West Foundation	\$ 15,000
Individual donor	<u>1,500</u>
Contributions receivable	<u>\$ 16,500</u>

Accounts receivable as of June 30, 2020, total as follows:

Amazon.com	\$ 46,453
lpas	17,065
Several other	<u>5,601</u>
Accounts receivable	<u>\$ 69,119</u>

Hesperian Health Guides
Notes to Financial Statements
June 30, 2020

Note 6 – Property and equipment

Property and equipment as of June 30, 2020, total as follows:

Furniture and equipment	\$ 18,473
Computer software	<u>7,734</u>
Property and equipment, at cost	26,207
Accumulated depreciation	<u>(26,207)</u>
Property and equipment, net	<u>\$ (0)</u>

Note 7 – Paycheck Protection Program

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. The related Note matures on April 30, 2022, and bears an interest rate of 1.00% per annum, payable monthly commencing on November 30, 2020. The Note may be prepaid by Hesperian at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations. Hesperian intends to use the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

Note 8 – Net assets with donor restrictions

As of and during the year ended June 30, 2020, net assets with donor restrictions reconciled as follows:

Hesperian Health Guides
Notes to Financial Statements
June 30, 2020

Note 8 – Net assets with donor restrictions (continued)

<u>Program</u>	<u>Beginning</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending</u>
New Where There Is No Doctor	\$ -	\$ 25,860	\$ (21,360)	\$ 4,500
Seizures/Epilepsy	-	1,000,000	-	1,000,000
Fracking and People's Health	3,253	39,750	(5,100)	37,903
Pregnancy Loss	45	-	(45)	-
Booklets Production	-	1,250	(1,250)	-
Multi-book / Multi-project	18,975	13,000	(27,425)	4,550
Women With Disabilities	-	5,000	-	5,000
Digital Commons/ Apps	169,521	227,750	(365,151)	32,120
Gratis Book Program	14,736	21,301	(15,701)	20,336
Translations Partners	235	15,618	(14,564)	1,289
Healthy Food and Livelihoods Fund	3,101	28,404	(28,304)	3,201
Total	<u>\$ 209,866</u>	<u>\$ 1,377,933</u>	<u>\$(478,900)</u>	<u>\$ 1,108,899</u>

Note 9 – 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, 2020.

One registered investment company holds all the short-term investments of Hesperian and makes investment decisions for Hesperian, based on investment policies approved by the board of directors of Hesperian.

Investments are subject to credit, interest rate and market risks. Credit risk is the probability that parties holding or supporting an investment will default or otherwise fail to perform. Interest rate risk is the risk that interest rates in the market will change relative to the interest rates earned on Hesperian investments. Market risk is the inherent change in the fair value of an investment due to changes in conditions. Hesperian manages risk to its investments by periodically reviewing investments for compliance with their investment policy and investment returns for comparability to the general market and specific investment class returns.

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.

Hesperian Health Guides
Notes to Financial Statements
June 30, 2020

Note 9 – Concentrations, credit and market risk (continued)

During the year ended June 30, 2020, contributions and bequests received from three donors totaled 61% of total support and revenue.

Note 10 – Commitments and contingencies

Hesperian leases office space in Berkeley, California. The monthly lease payment at June 30, 2020 was \$4,000. The lease expired August 30, 2019 and is currently on a month-to-month basis. Occupancy expense for the year ended June 30, 2020 was \$99,790.

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 11 – Realized gain on sale of donated property

In December, 2018 Hesperian received a piece of real property as bequest from an estate. Hesperian recorded the property at its estimated fair market value as of the bequest date. Hesperian incurred capital improvement costs and holding costs. In November, 2019 Hesperian sold the property and realized a gain on the sale as follows:

Sale price	\$ 1,100,000
Cost basis	
Bequest (estimated fair market value)	865,000
Improvements	65,294
Property tax	7,303
Closing costs	74,259
	<u>1,011,856</u>
Realized gain on sale	<u><u>\$ 88,144</u></u>

Hesperian Health Guides
Notes to Financial Statements
June 30, 2020

Note 12 – 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, 2020, the employer contribution totaled \$8,439. Employer contributions are vested after three years of employment.

Note 13 – 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	\$ 1,067,364
Short-term investments	1,527,903
Receivables	86,226
Inventory	<u>200,066</u>
	2,881,559
Less those unavailable for general expenditures within one year, due to:	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 2,881,559</u></u>

As part of its liquidity management, Hesperian invests cash in excess of daily requirements in short-term investments, primarily certificates of deposits and money market funds.

Hesperian Health Guides
Notes to Financial Statements
June 30, 2020

Note 14 – Accounting pronouncements - adopted

Effective June 1, 2019, Hesperian adopted the following pronouncements:

FASB ASU 2014-09, Revenue from Contracts with Customers (Topic 606), as amended. The new pronouncement establishes a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. Hesperian has implemented Topic 606 and has adjusted, if applicable, the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented. The implementation had no impact on the previously reported net assets.

FASB ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions made. The new pronouncement assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. Hesperian has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with implementation of ASU 2018-08.

FASB ASU 2016-01, Financial Instruments (Subtopic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities. This amendment requires, among other things, equity investments to be measured at fair value with changes in fair value recognized in net income. The amendment has been applied retrospectively to all periods presented. The implementation of ASU 2016-01 did not have a material impact on the financial statements.