

Hesperian Health Guides

Financial Statements

Year ended June 30, 2023

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, 2023, 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, 2023, 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.

Change in Accounting Principle

As discussed in Note 15 to the financial statements, Hesperian has changed its method of accounting for operating leases as of July 1, 2022 due to the adoption of ASU 2016-02, *Leases* (Topic 842). Our opinion is not modified with respect to these matters.

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, 2022, and in our report dated February 4, 2023, we expressed an unmodified opinion. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

WMB², LLP

WMB², LLP
Larkspur, California
January 9, 2024

Hesperian Health Guides
Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 307,920	\$ 171,505
Short-term investments	1,330,326	2,176,585
Contributions receivable due within one year	62,100	34,275
Accounts receivable	75,436	32,279
Other receivables	-	901
Inventory	217,850	223,243
Total current assets	1,993,632	2,638,788
Property and equipment, net	1,785,479	1,561,523
Contributions receivable (long-term)	20,000	40,000
Deposit and prepaid expenses	49,606	45,431
Total assets	\$ 3,848,717	\$ 4,285,742
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 33,474	\$ 18,170
Accrued liabilities	140,077	136,926
Grants payable	131	1,611
Total current liabilities	173,682	156,707
Net assets		
Without donor restrictions		
Board designated reserve funds	400,000	400,000
Undesignated	2,409,035	2,636,124
	2,809,035	3,036,124
With donor restrictions	866,000	1,092,911
Total net assets	3,675,035	4,129,035
Total liabilities and net assets	\$ 3,848,717	\$ 4,285,742

See accompanying notes.

Hesperian Health Guides
Statement of Activities and Changes in Net Assets
Year ended June 30, 2023 with comparative totals only for the year ended June 30, 2022

	Without donor restrictions	With donor restrictions	2023 Totals	2022 Totals
Support and revenue				
Contributions - foundations	\$ 533,973	\$ 677,000	\$ 1,210,973	\$ 1,049,125
Contributions - individuals	247,516	28,040	275,556	780,128
In-kind contributions	75,375	-	75,375	1,800
Fee for service	18,517	-	18,517	39,300
Publication revenue	258,392	-	258,392	302,678
Digital revenue	4,881	-	4,881	5,188
Bequests	8,041	-	8,041	19,340
Net investment return	58,434	-	58,434	3,014
Other income	1,142	-	1,142	1,039
Realized gain on sale of donated asset	-	-	-	74,861
Net assets released from restrictions	931,951	(931,951)	-	-
Total support and revenue	2,138,222	(226,911)	1,911,311	2,276,473
Expenses				
Program services:				
Books, Apps and Online Resources	969,174	-	969,174	907,696
Health outreach	644,048	-	644,048	489,883
Fulfillment	193,493	-	193,493	178,702
Total program services	1,806,715	-	1,806,715	1,576,281
Supporting services:				
Management and general	248,665	-	248,665	135,796
Fundraising	309,931	-	309,931	287,516
Total supporting services	558,596	-	558,596	423,312
Total expenses	2,365,311	-	2,365,311	1,999,593
Change in net assets	(227,089)	(226,911)	(454,000)	276,880
Net assets, beginning of year	3,036,124	1,092,911	4,129,035	3,852,155
Net assets, end of year	\$ 2,809,035	\$ 866,000	\$ 3,675,035	\$ 4,129,035

See accompanying notes.

Hesperian Health Guides
Statement of Functional Expenses
Year ended June 30, 2023 with comparative totals only for the year ended June 30, 2022

	Program Services				Supporting Services			2023 Totals	2022 Totals
	Books, Apps and Online Resources	Health Outreach	Fulfillment	Totals	Management and General	Fundraising	Totals		
Salaries	\$ 451,046	\$ 419,051	\$ 43,172	\$ 913,269	\$ 171,648	\$ 140,963	\$ 312,611	\$ 1,225,880	\$ 1,085,814
Payroll taxes	35,010	32,075	3,108	70,193	13,608	10,941	24,549	94,742	93,783
Benefits	43,803	39,575	3,998	87,376	16,417	13,590	30,007	117,383	130,788
Total personnel	529,859	490,701	50,278	1,070,838	201,673	165,494	367,167	1,438,005	1,310,385
Advertising	100,811	2,617	249	103,677	1,066	878	1,944	105,621	88,358
Complimentary copies	76	10,750	-	10,826	-	130	130	10,956	7,047
Cost of goods sold	-	-	112,244	112,244	-	-	-	112,244	97,912
Depreciation	8,397	20,409	1,840	30,646	8,562	7,008	15,570	46,216	10,982
Financial fees, licenses and royalties	6,371	4,194	7,010	17,575	2,231	9,648	11,879	29,454	30,642
Grants to partners	121,677	10,704	-	132,381	-	-	-	132,381	118,946
Insurance	4,463	4,143	394	9,000	1,688	1,391	3,079	12,079	9,967
Meetings and conferences	509	6,012	45	6,566	192	159	351	6,917	1,640
Memberships and publications	204	2,615	18	2,837	217	1,663	1,880	4,717	6,127
Miscellaneous and small purchases	4,590	4,260	2,439	11,289	1,735	1,430	3,165	14,454	2,328
Occupancy	16,397	16,677	1,494	34,568	7,544	5,612	13,156	47,724	53,937
Office supplies and communications	5,206	5,458	1,957	12,621	1,912	2,430	4,342	16,963	16,618
Postage and shipping	334	7,008	9,998	17,340	284	4,075	4,359	21,699	21,947
Printing and copying	2,043	2,371	145	4,559	621	7,100	7,721	12,280	6,679
Professional services	159,908	39,738	387	200,033	13,471	98,840	112,311	312,344	196,284
Property taxes	-	-	-	-	-	-	-	-	136
Software and related	7,445	6,461	3,528	17,434	5,625	2,285	7,910	25,344	12,494
Travel, events and training	240	3,794	21	4,055	1,600	1,342	2,942	6,997	774
Web hosting services	644	6,136	1,446	8,226	244	446	690	8,916	6,390
Total expenses	\$ 969,174	\$ 644,048	\$ 193,493	\$ 1,806,715	\$ 248,665	\$ 309,931	\$ 558,596	\$ 2,365,311	\$ 1,999,593

* Includes payment to employer of record totaling \$88,470

See accompanying notes.

Hesperian Health Guides
Statements of Cash Flows
Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ (454,000)	\$ 276,880
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation	46,216	10,982
In-kind contributions - website design	(45,000)	-
Realized and unrealized (gain) on investments	(12,782)	-
Changes in certain assets and liabilities		
Gain on sale of donated asset	-	(74,861)
Contributions receivable	(7,825)	384,125
Accounts receivable	(43,157)	(2,436)
Other receivables	901	(241)
Inventory	5,393	(19,872)
Deposit and prepaid expenses	(4,175)	4,847
Accounts payable	15,304	(657)
Accrued liabilities	3,151	1,896
Grants payable	(1,480)	(3,489)
	<u>(497,454)</u>	<u>577,174</u>
Cash (used) provided by operating activities		
Cash flows from investing activities		
Change in investments	859,041	649,184
Purchases of property and equipment	(225,172)	(1,540,944)
Proceeds from sale of donated property	-	373,660
	<u>633,869</u>	<u>(518,100)</u>
Cash provided (used) for investing activities		
Change in cash and cash equivalents	136,415	59,074
Cash and cash equivalents, beginning of year	<u>171,505</u>	<u>112,431</u>
Cash and cash equivalents, end of year	<u>\$ 307,920</u>	<u>\$ 171,505</u>

See accompanying notes.

Hesperian Health Guides
Notes to Financial Statements
June 30, 2023

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 45 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, Workers' Health and Safety, and Epilepsy and Seizures. Hesperian is committed to keeping health information up to date and this year released a new edition of *Where Women Have No Doctor*, and updated medical information in *Where There Is No Doctor*, *Where There Is No Dentist*, and our reproductive health apps.

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 – 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.

Hesperian Health Guides
Notes to Financial Statements
June 30, 2023

Note 2 – Summary of significant accounting policies (continued)

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.

Contributed goods and services

This year, Hesperian's effectiveness was tremendously enhanced by the work of 121 volunteers who contributed approximately 4,872 volunteer hours, working around the world in capacities such as researchers and reviewers, book packers, field testers, translators, website coders, and data analysts.

Hesperian Health Guides
Notes to Financial Statements
June 30, 2023

Note 2 – Summary of significant accounting policies (continued)

Contributed goods and services (continued)

The vast majority of donated services from unpaid volunteers who assist in book packing, field testing, translation and other projects are not recognized in the statement of activities because the criteria for recognition in accordance with generally accepted accounting principles have not been satisfied.

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. For the year ended June 30, 2023, Hesperian received in-kind contributions of \$75,375.

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, 2023, 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, 2023

Note 2 – 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 amounts on hand and on deposit with a commercial bank, available within 90 days of demand.

Short-term investments

Short-term investments include debt securities, money market funds, and cash held for investment purposes. Hesperian reports the fair value of investments in debt securities and money market funds, with readily determinable fair values. Hesperian reports all other investments at cost. Net investment return consists of interest, dividends, gain or loss on the sale of investments, and appreciation or depreciation of holding investments, net of investment management fees. Hesperian recognizes net investment return when earned.

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, 2023, 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, 2023, Hesperian concluded that an allowance for doubtful accounts was not material to its financial position.

Hesperian Health Guides
Notes to Financial Statements
June 30, 2023

Note 2 – Summary of significant accounting policies (continued)

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 land, building and improvements, 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 \$5,000. 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 years for equipment to thirty nine years for building and improvements.

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 2019 to 2022 are open for examination by the Internal Revenue Service and years 2018 to 2022 by the California Franchise Tax Board.

Hesperian Health Guides
Notes to Financial Statements
June 30, 2023

Note 2 – 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, 2023 were \$21,699.

Advertising costs

Hesperian expenses costs incurred for producing and communicating advertising when incurred. Advertising costs for the year ended June 30, 2023 were \$105,621, 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, 2022, 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, 2023

Note 3 – Short-term investments

As of June 30, 2023, short-term investments total as follows:

<u>Class and type</u>	<u>Short-term investments</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents (at cost)	\$ 133,911	\$ -	\$ -
Money market funds	684,702	684,702	
Fixed income securities			
U.S. Treasury Note	511,713	-	511,713
 Total	 <u>\$ 1,330,326</u>	 <u>\$ 684,702</u>	 <u>\$ 511,713</u>

Note 4 – Contributions receivable

Contributions receivable as of June 30, 2023, total as follows:

Receivables in less than one year	\$ 62,100
Receivable in one to five years	<u>20,000</u>
	<u>\$ 82,100</u>

Note 5 – Property and equipment

Property and equipment as of June 30, 2023, total as follows:

Building and improvements	\$ 1,441,057
Land	303,000
Furniture and equipment	63,812
Computer software	<u>61,056</u>
 Property and equipment, at cost	 1,868,925
Accumulated depreciation	<u>(83,446)</u>
 Property and equipment, net	 <u>\$ 1,785,479</u>

Hesperian Health Guides
Notes to Financial Statements
June 30, 2023

Note 6 – Net assets without donor restrictions

At June 30, 2023, net assets without donor restrictions total \$2,809,035. This includes the value of the building purchased as a permanent home for Hesperian’s operations in June 2022 for \$1,515,000 and improvements made during fiscal year ended June 30, 2023 bringing the total value of the property to \$1,705,258 after depreciation. See Note 5 for details on Property and Equipment. In addition, net assets without donor restrictions includes a Board-Designated Operating Reserve Fund of \$400,000 created in 2020, and the value of inventory of books, equipment, and other assets.

Note 7 – Net assets with donor restrictions

As of and during the year ended June 30, 2023, 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	\$ -	\$ 65,200	\$ (53,038)	\$ 12,162
Epilepsy and Seizures	806,464	-	(134,747)	671,717
Fracking and People’s Health	15,989	-	(5,802)	10,187
Digital Commons/ Apps	87,410	618,100	(590,534)	114,976
Gratis Book Program	23,048	11,036	(17,126)	16,958
Healthy Food and Livelihoods Fund	-	10,704	(10,704)	-
Total program restricted net assets	932,911	705,040	(811,951)	826,000
<u>Time Restrictions</u>	160,000	-	(120,000)	40,000
Total	<u>\$ 1,092,911</u>	<u>\$ 705,040</u>	<u>\$ (931,951)</u>	<u>\$ 866,000</u>

Hesperian Health Guides
Notes to Financial Statements
June 30, 2023

Note 8 – In-kind contributions

During the year ended June 30, 2023, in-kind contributions recognized in the statement of activities and changes in net assets consisted of the following:

IT consultant services	\$ 30,375
Web designer fee	<u>45,000</u>
	<u>\$ 75,375</u>

Hesperian received donated services for IT consulting for the books, apps and online resources program. Donated IT services are included in professional services in the statement of functional expenses. Hesperian also received donated services from a web designer for construction of a new website (in-progress) for the health outreach program. Website design costs were capitalized as computer software.

Contributed services are valued at the estimated fair value based on current rates for similar or identical services. Contributed services included no donor restrictions.

Note 9 – 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, 2023, the employer contribution totaled \$11,169. Employer contributions are vested after three years of employment.

Note 10 – 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.

Hesperian Health Guides
Notes to Financial Statements
June 30, 2023

Note 10 – Liquidity and availability of financial assets (continued)

Financial assets, at year end:	
Cash and cash equivalents	\$ 307,920
Short-term investments	1,330,326
Receivables	<u>157,536</u>
	1,795,782
Less those unavailable for general expenditures within one year, due to:	
Board designated reserve fund	400,000
Donor restricted funds - time restricted	<u>20,000</u>
	<u>420,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,375,782</u></u>

As part of its liquidity management, Hesperian invests cash in excess of daily requirements in cash equivalents, including money market funds and other short-term investments.

Note 11 – Concentrations, credit and market risk

Hesperian manages deposit concentration risk by holding cash, money market accounts, and U.S treasury bills at financial institutions they believe to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market funds and U.S. treasury bills. Insured accounts are either guaranteed by the Federal Deposit Insurance Company (FDIC) up to \$250,000 or by the Securities Protection Corporation (SPIC) up to \$500,000. As of June 30, 2023, Hesperian had approximately \$45,367 in excess of FDIC insurance limits and \$330,326 in excess of SPIC insurance limits. To date, Hesperian has not experienced losses in any of these accounts. Investment performance is monitored by management and the investment committee of the Board of Directors. Management and the investment committee believe that the investment policies and practices are prudent for the long-term welfare of the organization.

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Note 11 – Concentrations, credit and market risk (continued)

Credit risk associated with accounts receivable and contributions receivable is considered to be limited due to the high historical collections rates and because substantial portions of the outstanding amounts are due from foundations that have supported Hesperian's mission for multiple years.

During the year ended June 30, 2023, contributions received from two foundations totaled 39% of total support and revenue.

Note 12 – Commitments and contingencies

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 13 - Leases

Hesperian considers leases with initial terms of twelve months or less, and no option to purchase the underlying asset, to be short-term leases. Accordingly, short-term lease costs are expensed over the remaining lease term, with no corresponding right-of-use asset or lease liability.

Hesperian leased office space on a month-to-month basis in Berkeley, California. The month-to-month arrangement was terminated in October 2022 when Hesperian moved to a new premise purchased in June 2022 with donated funds. Operating short-term lease cost for the year ended June 30, 2023 was \$16,000. The operating short-term lease cost is included in in the Statement of Functional Expenses under occupancy expenses.

Note 14 – Subsequent events

Hesperian evaluated subsequent events for recognition and disclosure through January 9, 2024, the date on which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2023 that required recognition or disclosure in the financial statements.

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Note 15 – Accounting pronouncements - adopted

During the year ended June 30, 2023, Hesperian changed its accounting method for leases as a result of implementing the requirements in FASB ASU 2016-02, *Leases (Topic 842)*, which supersedes the leasing guidance in *Topic 840*.

Hesperian adopted the lease standards effective July 1, 2022, using the modified retrospective approach with July 1, 2022, as the initial date of application. Management elected to apply all practical expedients available under the new guidance, which allowed Hesperian to: 1) not reassess whether any expired or existing contracts previously assessed as not containing leases are, or contain, leases; 2) not reassess the lease classification for any expired or existing leases; and 3) not reassess initial direct costs for any existing leases. Hesperian also elected to apply the practical expedient to use hindsight in determining the lease term. There was no cumulative effect adjustment to Hesperian's statement of financial position as of July 1, 2022. In addition, adoption of the new standard did not have a significant effect on the statement of activities for the year ended June 30, 2023.