

**NATIONAL INSTITUTE FOR
REPRODUCTIVE HEALTH, INC.**



**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED JUNE 30, 2020 AND 2019

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

NATIONAL INSTITUTE FOR REPRODUCTIVE HEALTH, INC.
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
YEARS ENDED JUNE 30, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
National Institute for Reproductive Health, Inc.

We have audited the accompanying financial statements of National Institute for Reproductive Health, Inc. ("NIRH"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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 of America; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 National Institute for Reproductive Health, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marks Paneth LLP

New York, NY
April 27, 2021

NATIONAL INSTITUTE FOR REPRODUCTIVE HEALTH, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Cash and cash equivalents (Notes 2D and 11A)	\$ 3,676,056	\$ 4,770,128
Restricted cash (Notes 2D, 9A and 11A)	201,770	201,770
Contributions receivable (Notes 2E, 2F and 11B)	1,187,885	1,106,886
Government grants receivable (Notes 2F and 2G)	759,750	890,625
Prepaid expenses and other assets	98,491	132,295
Investments, at fair value (Notes 2H and 4)	1,518,369	1,505,425
Property and equipment, net (Notes 2I and 5)	35,135	33,437
TOTAL ASSETS	\$ 7,477,456	\$ 8,640,566
LIABILITIES		
Accounts payable and accrued expenses	\$ 340,766	\$ 263,502
Due to National Institute for Reproductive Health Action Fund, Inc. and its affiliates, net (Note 10)	246,062	45,873
Paycheck Protection Program loan payable (Note 7)	434,000	-
Deferred rent (Note 2J)	438,860	408,388
TOTAL LIABILITIES	1,459,688	717,763
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS (Note 2B)		
Without donor restriction	4,653,993	5,658,603
With donor restriction (Note 8)	1,363,775	2,264,200
TOTAL NET ASSETS	6,017,768	7,922,803
TOTAL LIABILITIES AND NET ASSETS	\$ 7,477,456	\$ 8,640,566

NATIONAL INSTITUTE FOR REPRODUCTIVE HEALTH, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	Year Ended June 30, 2020			Year Ended June 30, 2019		
	Without Donor Restriction	With Donor Restriction	Total 2020	Without Donor Restriction	With Donor Restriction	Total 2019
REVENUE AND SUPPORT:						
Individual contributions (Note 2E)	\$ 294,080	\$ -	\$ 294,080	\$ 415,260	\$ -	\$ 415,260
Foundation and corporate grants (Note 2E)	2,222,894	1,867,000	4,089,894	2,402,286	1,316,006	3,718,292
Special events revenue (net of direct expenses of \$0 and \$145,993 in 2020 and 2019, respectively) (Note 2K)	894,724	-	894,724	614,289	-	614,289
Government grants (Note 2G)	176,000	-	176,000	296,875	-	296,875
Investment return (Note 4)	23,925	-	23,925	57,960	-	57,960
Other income	30,765	-	30,765	15,994	-	15,994
Net assets released from restrictions (Note 8)	2,767,425	(2,767,425)	-	5,193,133	(5,193,133)	-
TOTAL REVENUE AND SUPPORT	<u>6,409,813</u>	<u>(900,425)</u>	<u>5,509,388</u>	<u>8,995,797</u>	<u>(3,877,127)</u>	<u>5,118,670</u>
EXPENSES:						
Program Services:						
Women's Health Programs	5,859,250	-	5,859,250	6,291,227	-	6,291,227
Total Program Services	<u>5,859,250</u>	<u>-</u>	<u>5,859,250</u>	<u>6,291,227</u>	<u>-</u>	<u>6,291,227</u>
Supporting Services:						
Management and general	765,650	-	765,650	949,300	-	949,300
Fundraising	789,523	-	789,523	695,364	-	695,364
Total Supporting Services	<u>1,555,173</u>	<u>-</u>	<u>1,555,173</u>	<u>1,644,664</u>	<u>-</u>	<u>1,644,664</u>
TOTAL EXPENSES	<u>7,414,423</u>	<u>-</u>	<u>7,414,423</u>	<u>7,935,891</u>	<u>-</u>	<u>7,935,891</u>
CHANGE IN TOTAL NET ASSETS	(1,004,610)	(900,425)	(1,905,035)	1,059,906	(3,877,127)	(2,817,221)
Net assets, beginning of year	5,658,603	2,264,200	7,922,803	4,598,697	6,141,327	10,740,024
NET ASSETS - END OF YEAR	<u>\$ 4,653,993</u>	<u>\$ 1,363,775</u>	<u>\$ 6,017,768</u>	<u>\$ 5,658,603</u>	<u>\$ 2,264,200</u>	<u>\$ 7,922,803</u>

The accompanying notes are an integral part of these financial statements.

NATIONAL INSTITUTE FOR REPRODUCTIVE HEALTH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
(With Comparative Totals for June 30, 2019)

	<u>Program Services</u>	<u>Supporting Services</u>			<u>Total 2020</u>	<u>Total 2019</u>
	<u>Women's Health Programs</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>		
Salaries	\$ 1,764,998	\$ 282,717	\$ 350,881	\$ 633,598	\$ 2,398,596	\$ 2,129,416
Payroll taxes and benefits (Note 6)	442,075	70,811	87,884	158,695	600,770	491,239
Total Personnel Costs	2,207,073	353,528	438,765	792,293	2,999,366	2,620,655
Professional fees and contracted services	1,101,537	237,357	177,507	414,864	1,516,401	1,850,332
Insurance	45,212	7,242	8,988	16,230	61,442	38,267
Telephone	19,755	3,164	3,927	7,091	26,846	22,210
Postage	2,732	438	543	981	3,713	5,964
Printing	45,065	4,417	14,898	19,315	64,380	148,888
Occupancy (Notes 2J and 9A)	408,267	65,396	81,163	146,559	554,826	547,171
Depreciation and amortization (Note 5)	14,994	2,401	2,981	5,382	20,376	44,951
Grant to NIRHAF (Note 10)	919,769	-	-	-	919,769	849,249
Grants to other organizations (Notes 2L and 10)	661,250	-	-	-	661,250	1,253,395
Office supplies	35,738	6,537	5,545	12,082	47,820	72,783
Travel	111,467	-	-	-	111,467	137,553
Bank and payroll service fees	3,598	36,485	1,708	38,193	41,791	85,525
Direct mail	-	-	5,402	5,402	5,402	985
Conference and meetings	79,804	6,352	45,492	51,844	131,648	84,234
Staff trainings	2,280	83	404	487	2,767	5,480
Stipends	65,360	-	-	-	65,360	46,873
Communications and media	135,300	-	-	-	135,300	106,177
Costs of direct benefits to donors (deducted below)	-	-	-	-	-	145,993
Bad debt	-	41,050	-	41,050	41,050	2,641
Miscellaneous	49	1,200	2,200	3,400	3,449	12,558
Sub-total	5,859,250	765,650	789,523	1,555,173	7,414,423	8,081,884
Less: expenses deducted directly from revenues on the statement of activities	-	-	-	-	-	(145,993)
TOTAL EXPENSES	\$ 5,859,250	\$ 765,650	\$ 789,523	\$ 1,555,173	\$ 7,414,423	\$ 7,935,891

The accompanying notes are an integral part of these financial statements.

NATIONAL INSTITUTE FOR REPRODUCTIVE HEALTH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Program Services</u>	<u>Supporting Services</u>			<u>Total 2019</u>
	<u>Women's Health Programs</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Salaries	\$ 1,474,004	\$ 276,581	\$ 378,831	\$ 655,412	\$ 2,129,416
Payroll taxes and benefits (Note 6)	340,041	63,805	87,393	151,198	491,239
Total Personnel Costs	1,814,045	340,386	466,224	806,610	2,620,655
Professional fees and contracted services	1,399,052	404,959	46,321	451,280	1,850,332
Insurance	26,489	4,970	6,808	11,778	38,267
Telephone	15,374	2,885	3,951	6,836	22,210
Postage	4,128	775	1,061	1,836	5,964
Printing	113,211	10,680	24,997	35,677	148,888
Occupancy (Notes 2J and 9A)	378,757	71,070	97,344	168,414	547,171
Depreciation and amortization (Note 5)	31,114	5,840	7,997	13,837	44,951
Grant to NIRHAF (Note 10)	849,249	-	-	-	849,249
Grants to other organizations (Notes 2L and 10)	1,253,395	-	-	-	1,253,395
Office supplies	54,476	7,899	10,408	18,307	72,783
Travel	137,553	-	-	-	137,553
Bank and payroll service fees	6,209	73,143	6,173	79,316	85,525
Direct mail	-	-	985	985	985
Conference and meetings	50,978	10,514	22,742	33,256	84,234
Staff trainings	5,235	-	245	245	5,480
Stipends	45,730	1,035	108	1,143	46,873
Communications and media	106,177	-	-	-	106,177
Costs of direct benefits to donors (deducted below)	-	-	145,993	145,993	145,993
Bad debt	-	2,641	-	2,641	2,641
Miscellaneous	55	12,503	-	12,503	12,558
Sub-total	<u>6,291,227</u>	<u>949,300</u>	<u>841,357</u>	<u>1,790,657</u>	<u>8,081,884</u>
Less: expenses deducted directly from revenues on the statement of activities	<u>-</u>	<u>-</u>	<u>(145,993)</u>	<u>(145,993)</u>	<u>(145,993)</u>
TOTAL EXPENSES	<u>\$ 6,291,227</u>	<u>\$ 949,300</u>	<u>\$ 695,364</u>	<u>\$ 1,644,664</u>	<u>\$ 7,935,891</u>

The accompanying notes are an integral part of these financial statements.

**NATIONAL INSTITUTE FOR REPRODUCTIVE HEALTH, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,905,035)	\$ (2,817,221)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Unrealized loss (gain) on investments	5,306	(5,306)
Realized gain on investments	(5,329)	(15,724)
Depreciation and amortization	20,376	44,951
Change in discount on contributions receivable	-	(26,006)
Bad debt	41,050	2,641
	(1,843,632)	(2,816,665)
Sub-total		
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Contributions receivable	(122,049)	4,019,723
Government grants receivable	130,875	(296,875)
Other receivables	-	9,987
Prepaid expenses and other assets	33,804	(45,427)
Due from National Institute for Reproductive Health Action Fund, Inc. and its affiliates	-	157,432
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	77,264	74,042
Due to National Institute for Reproductive Health Action Fund, Inc. and its affiliates	200,189	45,873
Deferred rent	30,472	88,043
	(1,493,077)	1,236,133
Net Cash (Used in) Provided by Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(38,921)	(1,535,738)
Proceeds from sales of investments	26,000	51,343
Purchases of property and equipment	(22,074)	-
	(34,995)	(1,484,395)
Net Cash Used in Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program loan	434,000	-
	434,000	-
Net Cash Provided by Financing Activities		
NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(1,094,072)	(248,262)
Cash, cash equivalents and restricted cash - beginning of year	4,971,898	5,220,160
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	\$ 3,877,826	\$ 4,971,898

The accompanying notes are an integral part of these financial statements.

NATIONAL INSTITUTE FOR REPRODUCTIVE HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

National Institute for Reproductive Health, Inc. (“NIRH”) works to protect and advance equitable access to reproductive health care by building power at the state and local level. Its strategy is to go on the offensive to secure policies that safeguard reproductive freedom. NIRH strengthens coalitions, launches campaigns, and successfully advocates for policy change in partnership with state and local reproductive health, rights, and justice organizations and allied groups, securing and expanding access where it can and leveraging these efforts to have nationwide impact. Its approach is centered on the people who are most impacted by barriers to care, historically underserved, and often under-represented: BIPOC (Black, indigenous, people of color) communities, low-income people, and immigrants. Its focus is on state and local level policies and governments, which often have the greatest and most immediate impact on people’s lives and can create change that is both sustainable and replicable in other states and nationally. By advocating alongside and arming state and local advocates with the tools they need to advance reproductive freedom in their communities and by making connections within and across state lines, as well as to the national level, it is helping to make concrete change and to build the strong political, policy, and grassroots infrastructure necessary to secure its ultimate goal: a society in which everyone has the freedom and ability to control their reproductive and sexual lives.

NIRH is a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. NIRH and National Institute for Reproductive Health Action Fund, Inc. (“NIRHAF”) are aligned with common goals and share common costs, along with administrative and program personnel; the Boards of Directors of these two organizations often meet jointly. Costs are allocated between the two organizations based on actual expenses incurred and on a percentage of salaries for shared expenses.

NIRH’s programs, which have been informed by its own internal work on creating a culture of equity and inclusion, focus on the following areas:

Supporting a Proactive Movement: Advocacy Resources, Narrative Change - Effective state and local efforts need policy experts, political thinkers, communications and messaging mavens, organizers, and strong lawyers. Not every local organization has or can attain these capacities, however—nor is it necessary or cost-effective for them to do so. NIRH, with its long experience, staff of legal, policy, and communications experts, strong ties to local, state, and national organizations, and trusted reputation, is perfectly situated to provide state and local organizations with an array of resources on which they can rely as they pursue their goals. In addition, with a national vantagepoint that looks at how individual state and local efforts can interconnect, NIRH is also situated to provide strategic guidance focused on longer-term, nationwide change. Taken together, these are the building blocks for strengthening the movement for reproductive freedom and transforming our political, policy, and cultural environment.

The through-line in its efforts in 2020 was what was required not just to meet the partners’ immediate needs, but what could help stage for the future. Thus, in the spring and early summer, NIRH focused on trouble-shooting issues that gained new urgency as a result of the pandemic, including abortion access and telemedicine, clinic protests, and self-managed abortion. NIRH created fact sheets and talking points for advocates to use as events unfolded, while helping to ensure that the solutions proposed weren’t tied solely to the pandemic response, so that any gains to make communities healthy, safe, and thriving would remain in place even after the immediate crises abated. In addition, as shutdowns began in the spring, NIRH hosted regular videoconference calls, enabling its partners to build community, share challenges, brainstorm solutions, and plan for the next steps.

NATIONAL INSTITUTE FOR REPRODUCTIVE HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

Beyond the COVID-specific resources developed, NIRH continued creating and widely sharing new strategies, tools, and resources for the field and engaging in media campaigns designed to increase the visibility and power of the movement to protect the right and ability to use contraception and have abortions. One of its most significant new resources, built on its years of opinion and message research, is a new tool that can be used to identify both potential supporters of and targets for 501(c)(3) education and engagement campaigns. Other publications included a special report, supplementing its 2019 Local Reproductive Freedom Index, that documents how cities and counties can and have protected reproductive freedom during the pandemic; a midyear update to its 2019 annual round up of Proactive Reproductive Health and Rights Legislation in the States; its 2020 proactive report, released in December; and a toolkit, created with the Abortion Care Network and the National Network of Abortion Funds, on how to advocate for a local proclamation recognizing Abortion Provider Appreciation Day. Each of these publications is designed to lift up progress around the country, inspire advocates and policymakers alike to take action, and provide guidance on how to move proactive policies forward. NIRH also supported its partners and others through individualized support, including drafting bills, press releases, talking points, and hearing testimonies. Finally, NIRH focused on building the capacity of its partners, training advocates and policymakers and building ties across state lines.

Among the grants made to other organizations, NIRH provided a grant of \$919,769 and \$849,249 to National Institute for Reproductive Health Action Fund, Inc. for the years ended June 30, 2020 and 2019, respectively, for educating women in New York State about the availability of safe, legal and accessible abortions. The grant also included support to build both a stronger, more robust base of pro-choice activists and a grassroots infrastructure with an eye toward securing and advancing reproductive rights in New York.

Shifting the Policy Climate from the Ground Up: State and Local Partnerships - NIRH's strategic vision is premised on the belief that achieving reproductive freedom requires a strong, broad base of advocates working in their own communities and states to promote positive policies. To that end, it pursues a partnership model that combines strategic guidance, capacity building (including, in many cases, funding), hands-on technical support, and networking opportunities to help state and local organizations—across brand, based on shared goals—seize creative opportunities to innovate and build capacity among its partners, within itself, and across the movement. In 2020, NIRH's formal partnerships extended to 25 states, including 19 cities and counties; the focus of these partnership efforts was to advance proactive policies, with the goal of creating as many oases for access to care in as many states and localities as possible, as soon as possible.

Among most notable successes achieved by NIRH and its partners in 2020:

- **Massachusetts and Virginia enacted proactive abortion legislation**, repealing major barriers to abortion care. The passage of Virginia's Reproductive Health Protection Act is particularly important, as it laid groundwork for the Commonwealth to become a critical point of access for people seeking abortions across the Southeast, a region in dire need.
- For the second year in a row, **New York City and Austin, TX, adopted municipal budgets that included funds to help individuals in need of abortion care.**
- As shutdowns related to the pandemic began, NIRH worked to ensure that **reproductive health care remained classified as essential** in New York, as its partners did so in states including Massachusetts, New Jersey, and Virginia. In addition, its Connecticut partner secured resolutions in sixteen towns calling out **racism as a public health emergency.**
- In **North Carolina**, advocates secured a veto of a bill that would have criminalized pregnant people for using drugs, thereby discouraging them from seeking prenatal care and causing families to lose custody of their children.
- At the beginning of October, Governor Murphy announced the introduction of **New Jersey's Reproductive Freedom Act**, which would enshrine the right to make reproductive decisions into state law, while expanding access to reproductive health care, including contraception and abortion.

NATIONAL INSTITUTE FOR REPRODUCTIVE HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

Beyond these specific policy wins, NIRH continued its deep investment in state and local power-building in states and localities across the country. In 12 states (Colorado, Connecticut, Florida, Georgia, Massachusetts, New Jersey, New Mexico, Ohio, Pennsylvania, Texas, Virginia, and Wisconsin), its focus was on increasing access to abortion and reproductive health care. To protect and advance abortion access, it also partnered with local and state organizations to focus specifically on localities across the country, including Chicago, IL, Columbus, OH, Los Angeles County, CA, Louisville, KY, Minneapolis, MN, and South Bend, IN; these efforts focused on issues such as abortion funding and promoting efforts to safeguard clinics and health care providers against attacks. Its work in cities also included efforts to cultivate youth leadership in El Paso, TX, Minneapolis and St. Paul, MN, and Saginaw, MI, and to support healthy families in Bloomington, IN and Greensboro, NC. In addition, in five states (Arizona, Hawai'i, Montana, Tennessee, and Wyoming) and Washington, DC, it focused its efforts on increasing patient-centered access to long-acting reversible contraception. Finally, continuing its longstanding partnership with CityMatCH, it supported their efforts to pursue Well Women, Well Communities programs in Arizona, Michigan, and Texas.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. **Basis of Accounting** - NIRH's financial statements have been prepared on the accrual basis of accounting. NIRH adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP").

B. **Basis of Presentation** - NIRH maintains its net assets under the following two classes:

Without donor restriction - This represents net assets not subject to donor-imposed stipulations and that have no time restrictions. Such resources are available for support of NIRH's operations over which the Board of Directors has discretionary control.

With donor restriction - This represents net assets subject to donor-imposed stipulations that will be met by actions of NIRH or by the passage of time. When a stipulated time restriction ends or purpose restriction is accomplished, such 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.

C. **Use of Estimates** - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. **Cash, Cash Equivalents and Restricted Cash** - Cash and cash equivalents include all highly liquid instruments with maturities of three months or less when acquired. Restricted cash consists of collateral for the letter of credit issued to the landlord and maintained at the bank (Note 9A). The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows:

	2020	2019
Cash and cash equivalents	\$ 3,676,056	\$ 4,770,128
Restricted cash	201,770	201,770
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	\$ 3,877,826	\$ 4,971,898

E. **Contributions** - Unconditional contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional contributions receivable are not included as support until the conditions are substantially met. As of June 30, 2020 and 2019, contributions receivable amounted to \$1,187,885 and \$1,106,886, respectively, and are due in less than one year.

NATIONAL INSTITUTE FOR REPRODUCTIVE HEALTH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. **Allowance for Doubtful Accounts** - NIRH determines whether an allowance for uncollectible receivables should be provided for contributions receivable and government grants receivable. Such an estimate is based on management's assessment of the aged basis of its receivables, current economic conditions, creditworthiness of its donors, historical experience and collections subsequent to year end. As of June 30, 2020 and 2019, NIRH determined that no allowance is necessary for contributions receivable, government grants receivable and other receivables.

G. **Government Grants** - NIRH receives funding for many of its programs through contracts with New York State and New York City, which usually run for a period of one year or longer. This support is restricted to operations within the terms of the grants and, accordingly, recognition of grant support is deferred until qualifying expenditures are incurred. Excess of grant receipts over expenses incurred is recorded and reflected as refundable advances. Revenues from government agencies are subject to audit by the agencies. No provision for any disallowance is reflected in the financial statements, since management does not anticipate any material adjustments.

Cost reimbursement type government grants are accounted for under Accounting Standards Update ("ASU") 2018- 08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). Grants and contracts are recognized as revenue when barriers within the contract are overcome, and there is no right of return/ release from obligation. Grants and contracts amounted to \$176,000 and \$296,875 for the years ended June 30, 2020 and 2019, respectively.

As of June 30, 2020 and 2019, NIRH received conditional grants and contracts from government agencies in the aggregate amounts of \$61,875 and \$0, respectively, that have not been recorded in the accompanying financial statements, as they have not been earned. These grants and contracts require NIRH to provide certain services as specified in the contracts. If such services are not provided, the governmental entities are not obligated to expend the funds allotted under the grants and contracts and NIRH may be required to return the funds already remitted.

H. **Investments** - Investments are stated at fair value. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 4.

I. **Property and Equipment** - Property and equipment is stated at cost less accumulated depreciation and amortization. These amounts do not purport to represent replacement or realizable values. Depreciation and amortization is calculated on a straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the life of the lease or the improvement. NIRH capitalizes property and equipment with a cost of \$1,000 or more and a useful life of greater than one year. Upon retirement or disposal, the asset cost and related accumulated depreciation and amortization are eliminated from the respective accounts, and the resulting gain or loss is included in the changes in net assets for the period.

J. **Deferred Rent** - NIRH records an adjustment to rent expense each year to reflect the straight-line method. Straight-lining of rent gives rise to a timing difference that is reflected as deferred rent in the accompanying statements of financial position.

K. **Special Events** - NIRH conducts a special event in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. All proceeds received are recorded as special events revenue in the accompanying statements of activities.

L. **Grant Awards** - Grants to NIRHAF and other organizations are made pursuant to authorization of the Board of Directors of NIRH. Grant awards are expensed in the year grants are approved.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- M. **Functional Allocation of Expenses** - NIRH allocates expenses on a functional basis among its various programs and supporting services. Identifiable expenses incurred by specific programs or the supporting service are directly attributed to that function according to their nature; these expenses include programmatic consultant fees, stipends, staff travel costs and grants to other organizations. The costs that are common to multiple functions are allocated between those based on time and effort and estimates made by NIRH's management; these include salaries, space-related expenses, insurance, equipment and office supplies, depreciation and amortization among others.
- N. **Reclassifications** - Certain line items in the June 30, 2019 financial statements have been reclassified to conform to the June 30, 2020 presentation. Such reclassifications had no effect on net assets previously reported.
- O. **Recent Accounting Pronouncement** - Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958) was adopted by NIRH for the year ended June 30, 2020. The core guidance is to assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a contribution is conditional as further described in Note 2G.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR GENERAL EXPENDITURES

NIRH strives to maintain liquid financial assets sufficient to cover at least three months of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, treasuries, money market funds and other short-term investments.

Below are categories within NIRH's cash assets:

1. **Operating Cash:** These are the funds that NIRH needs to have immediate access to. This category is defined as an average of 1 1/2 months of gross operating expenditures. The financial objective for the investment of operating cash is to maintain sufficient liquidity to enable NIRH to have access to these funds on a short-term basis. To maintain adequate liquidity, the operating cash will be invested in a fund or other account that invests in short-term investments, with minimal risk to the principal, and immediate access to funds as needed. The investments of the operating cash place an emphasis on the preservation of principal.
2. **Operating Reserves:** These are funds over and above the "Operating Cash". These funds may be needed at a later point in the year, but can be used in short-term investments. These "Operating Reserves" should be equal to approximately three months of gross operating expenditures. The financial objective for the Operating Reserves is to maintain sufficient liquidity to enable NIRH to access these funds on a short-term basis. To maintain adequate liquidity and to generate some nominal revenue, the Operating Reserves will be invested in a fund or other account that invests in short-term investments, with minimal risk to the principal, and access to funds when needed. The investments of the Operating Reserves place an emphasis on the preservation of principal.
3. **Long-Term Reserves:** Long-term reserves is cash that is without donor restrictions and is in excess of the "Operating Cash" and the "Operating Reserves". These "Long-Term Reserves" are not expected to be utilized by NIRH for at least six months or longer.

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NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR GENERAL EXPENDITURES (Continued)

The following table reflects NIRH’s financial assets as of June 30 reduced by amounts that are not available to meet general expenditures within one year of the statements of financial position date because of contractual restrictions:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,676,056	\$ 4,770,128
Contributions receivable	1,187,885	1,106,886
Government grants receivable	759,750	890,625
Investments, at fair value	<u>1,518,369</u>	<u>1,505,425</u>
 Total financial assets	 7,142,060	 8,273,064
Less: Government grants receivable due in more than one year	<u>-</u>	<u>(298,875)</u>
	<u>\$ 7,142,060</u>	<u>\$ 7,974,189</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, NIRH considers all expenditures related to its ongoing activities of NIRH’s Women’s Health Programs (“WHP”) as well as the conduct of services undertaken to support those activities to be general expenditures. Donor restricted funds for WHP is considered as general expenditures as well as those time restricted funds that were restricted to be available in the next 12 months.

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consist of the following as of June 30 and were classified as Level 1 in the fair value hierarchy (as defined below) as follows:

	<u>2020</u>	<u>2019</u>
Money market mutual funds	\$ 1,518,369	\$ 1,311
U.S. Treasury securities	<u>-</u>	<u>1,504,114</u>
 Total Investments	 <u>\$ 1,518,369</u>	 <u>\$ 1,505,425</u>

Investments are subject to market volatility that could change their carrying value in the near term.

Investment activity consists of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 23,902	\$ 36,930
Net realized and unrealized gain	<u>23</u>	<u>21,030</u>
	<u>\$ 23,925</u>	<u>\$ 57,960</u>

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs. Level 1 valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

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NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, NIRH utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. Investments in U.S. treasury bills and money market funds are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended June 30, 2020 and 2019, there were no transfers in or out of levels 1, 2, or 3.

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following as of June 30:

	<u>2020</u>	<u>2019</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	\$ 98,980	\$ 98,980	3-10.5 years
Office equipment and furniture	79,930	75,116	5-7 years
Office software	<u>42,286</u>	<u>25,026</u>	3 years
	221,196	199,122	
Less: accumulated depreciation	<u>(186,061)</u>	<u>(165,685)</u>	
Net book value	<u>\$ 35,135</u>	<u>\$ 33,437</u>	

Depreciation and amortization expense amounted to \$20,376 and \$44,951 for the years ended June 30, 2020 and 2019, respectively. NIRH wrote off \$1,481,954 of fully depreciated property and equipment no longer in use during the year ended June 30, 2019.

NOTE 6 – PENSION PLAN

NIRH has a 401(k) defined contribution plan covering all employees who have been employed for at least six months and are at least 21 years of age. NIRH makes matching contributions to the Plan equal to 100% of the first 3% of compensation, as defined, and 50% of the next 2% of compensation, as defined, for eligible employees. Pension expense for the years ended June 30, 2020 and 2019 amounted to \$58,702 and \$63,692, respectively.

NOTE 7 – PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Stability Act (“CARES Act”). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program (“PPP”). Participating in the PPP enables the business to obtain a loan from the Small Business Administration (“SBA”) sector of the government. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven.

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NOTE 7 – PAYCHECK PROTECTION PROGRAM LOAN PAYABLE (Continued)

NIRH applied for this loan through an SBA authorized lender. The loan, amounting to \$434,000, was approved and received in May 2020. NIRH has opted to account for the proceeds as a loan under FASB Accounting Standards Codification (“ASC”) 470, *Debt*, until the loan is, in part or wholly, forgiven and NIRH has been “legally released.”

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of June 30:

	<u>2020</u>	<u>2019</u>
General operating support (time restricted)	\$ 85,000	\$ 1,250,000
State infrastructure project	1,158,775	889,200
Cybersecurity project	50,000	5,000
LARC project	<u>70,000</u>	<u>120,000</u>
	<u>\$ 1,363,775</u>	<u>\$ 2,264,200</u>

Net assets with donor restrictions were released from restrictions by incurring expenses satisfying the restricted purposes or passage of time.

	<u>2020</u>	<u>2019</u>
General operating support (time restricted)	\$ 1,275,000	\$ 2,933,333
State infrastructure project	1,237,425	1,454,800
LARC project	250,000	655,000
Abortion decriminalization fund	-	100,000
Vision first project	-	25,000
Cybersecurity project	5,000	-
Racial equality training	<u>-</u>	<u>25,000</u>
	<u>\$ 2,767,425</u>	<u>\$ 5,193,133</u>

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. NIRH has a lease agreement for its office location. The lease is a ten-year lease expiring August 31, 2026.

Under the lease agreement, for each of the years ended June 30, 2020 and 2019, the NIRH was required to provide the landlord with a \$192,163 letter of credit as a security deposit during the lease term. Such letter of credit was issued to the landlord by a bank. As of both June 30, 2020 and 2019, the collateral for the letter of credit maintained at the bank amounted to \$201,770, and is included as restricted cash in the accompanying statements of financial position.

Rent expense for the years ended June 30, 2020 and 2019 amounted to \$527,719 and \$524,633, respectively. Minimum rental payments under the lease as of June 30, are as follows:

2021	\$ 560,944
2022	610,026
2023	626,801
2024	648,406
2025	714,278
Thereafter	<u>859,316</u>
	<u>\$ 4,019,771</u>

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NOTE 9 – COMMITMENTS AND CONTINGENCIES (Continued)

- B. NIRH believes it has no uncertain tax positions as of June 30, 2020 and 2019, in accordance with FASB Accounting Standards Codification (“ASC”) Topic 740 “Income Taxes,” which provides standards for establishing and classifying any tax provisions for uncertain tax positions.
- C. NIRH is responsible for reporting to the New York State Department of Health (“DOH”). DOH, as well as the New York State Office of the Attorney General, the Internal Revenue Service and the New York State Department of Charities Registration, have the right to audit NIRH. No provision has been recorded for possible adjustments that may arise from these audits, since management does not anticipate a material adjustment.
- D. The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on NIRH’s business and financial results will depend on future developments, including the duration and spread of the outbreak. Due to the rapidly changing business environment, unprecedented market volatility, and other circumstances resulting from the COVID-19 pandemic, management is currently unable to fully determine the extent of COVID-19’s impact on NIRH’s business in future periods. NIRH’s performance in future periods will be heavily influenced by the timing, length, and intensity of the economic recoveries in the United States. NIRH continues to monitor evolving economic and general business conditions and the actual and potential impacts on NIRH’s financial position and results.

NOTE 10 – RELATED-PARTY TRANSACTIONS

As of June 30, 2020 and 2019, NIRH owed \$246,062 and \$45,873 to NIRHAF and its affiliates, respectively. These represent the grant payable to NIRHAF, net of operating expenses paid by NIRH on behalf of NIRHAF’s affiliates.

NIRH provided a grant of \$919,769 and \$849,249 to NIRHAF for the years ended June 30, 2020 and 2019, respectively, for educating women in New York State about the availability of safe, legal and accessible abortions. Such amounts are recorded as grant to NIRHAF in the accompanying statements of functional expenses. The grant also included support to build both a stronger, more robust base of pro-choice activists and a grassroots infrastructure with an eye toward securing and advancing reproductive rights in New York.

In addition, NIRH allocates a portion of its office space (Note 9) to NIRHAF. In 2020 and 2019, NIRH allocated rent and other expenses, as outlined in the table below:

	<u>2020</u>	<u>2019</u>
Rent, real estate taxes and utility expenses	\$ 58,765	\$ 50,947
Salaries, fringe benefits and other expenses	614,263	403,285

NOTE 11 – CONCENTRATIONS

- A. Cash and cash equivalents that potentially subject NIRH to a concentration of credit risk include cash accounts with various financial institutions that exceeded the Federal Deposit Insurance Corporation (“FDIC”) insurance limit of \$250,000 by approximately \$3,330,000 and \$4,504,000 at two banks as of June 30, 2020 and 2019, respectively.
- B. For the years ended June 30, 2020 and 2019, approximately 79% and 65%, respectively, of NIRH’s revenues are from three individuals/private foundations. As of June 30, 2020 and 2019, approximately 84% and 90%, respectively, of contributions receivable, are due from one individual/private foundation.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through April 27, 2021, the date the financial statements were available to be issued.