

NATIONAL HEALTH LAW PROGRAM, INC.

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3 - 4
Statements of Activities	5 - 6
Statements of Functional Expenses	7 - 8
Statements of Cash Flows	9 - 10
NOTES TO FINANCIAL STATEMENTS	11 - 24



beach, freeman, lim & cleland, LLP

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
NATIONAL HEALTH LAW PROGRAM, INC.
Los Angeles, California

We have audited the accompanying financial statements of National Health Law Program, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, 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 auditors' 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 Health Law Program, Inc. as of December 31, 2019 and 2018, 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.

Beach Freuchim & Oland, LLP

El Segundo, California
March 31, 2020

NATIONAL HEALTH LAW PROGRAM, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 10,306,039	\$ 2,986,063
Investments	5,431,775	7,613,826
Current portion of grants receivable	3,171,802	2,505,088
Accounts receivable	122,060	119,023
Prepaid expenses	<u>19,206</u>	<u>100,374</u>
	<u>19,050,882</u>	<u>13,324,374</u>
Property and Equipment, net	<u>7,620</u>	<u>1,618</u>
Non-Current Assets		
Investments	-	1,981,489
Intangible asset, net	15,889	24,556
Grants receivable, net of current portion	1,011,618	36,222
Deferred rent asset	59,740	71,227
Deposits	<u>33,182</u>	<u>33,182</u>
	<u>1,120,429</u>	<u>2,146,676</u>
	<u>\$ 20,178,931</u>	<u>\$ 15,472,668</u>

See accompanying notes to financial statements.

NATIONAL HEALTH LAW PROGRAM, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

LIABILITIES AND NET ASSETS

	<u>2019</u>	<u>2018</u>
Current Liabilities		
Accounts payable	\$ 429,653	\$ 256,278
Accrued expenses	141,951	208,462
Deferred revenue	<u>8,527</u>	<u>28,319</u>
	580,131	493,059
Deferred Rent	<u>183,865</u>	<u>224,900</u>
Total Liabilities	<u>763,996</u>	<u>717,959</u>
Commitments (Note 7)		
Net Assets		
Without donor restrictions	11,174,584	10,329,008
With donor restrictions	<u>8,240,351</u>	<u>4,425,701</u>
	<u>19,414,935</u>	<u>14,754,709</u>
	<u>\$ 20,178,931</u>	<u>\$ 15,472,668</u>

See accompanying notes to financial statements.

NATIONAL HEALTH LAW PROGRAM, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues			
Grants	\$ 241,459	\$ 9,445,497	\$ 9,686,956
Contributions and gifts	414,181	-	414,181
Service income	935,341	-	935,341
Investment income	794,604	-	794,604
Other income	128,727	-	128,727
Net assets released from restriction	<u>5,630,847</u>	<u>(5,630,847)</u>	<u>-</u>
	<u>8,145,159</u>	<u>3,814,650</u>	<u>11,959,809</u>
Expenses			
Program services	5,852,259	-	5,852,259
General and administrative	1,223,063	-	1,223,063
Fundraising	<u>224,261</u>	<u>-</u>	<u>224,261</u>
	<u>7,299,583</u>	<u>-</u>	<u>7,299,583</u>
Change in Net Assets	845,576	3,814,650	4,660,226
Net Assets, Beginning of Year	<u>10,329,008</u>	<u>4,425,701</u>	<u>14,754,709</u>
Net Assets, End of Year	<u>\$ 11,174,584</u>	<u>\$ 8,240,351</u>	<u>\$ 19,414,935</u>

See accompanying notes to financial statements.

NATIONAL HEALTH LAW PROGRAM, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

	Without donor restrictions	With donor restrictions	Total
Revenues			
Grants	\$ 28,974	\$ 6,078,321	\$ 6,107,295
Contributions and gifts	216,156	-	216,156
Service income	1,063,653	-	1,063,653
Investment income	11,851	-	11,851
Other income	121,528	-	121,528
Net assets released from restriction	6,321,629	(6,321,629)	-
	7,763,791	(243,308)	7,520,483
Expenses			
Program services	5,837,458	-	5,837,458
General and administrative	1,084,036	-	1,084,036
Fundraising	215,146	-	215,146
	7,136,640	-	7,136,640
Change in Net Assets	627,151	(243,308)	383,843
Net Assets, Beginning of Year	9,701,857	4,669,009	14,370,866
Net Assets, End of Year	\$ 10,329,008	\$ 4,425,701	\$ 14,754,709

See accompanying notes to financial statements.

NATIONAL HEALTH LAW PROGRAM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 3,228,975	\$ 577,131	\$ 130,192	\$ 3,936,298
Fringe benefits	708,418	207,459	26,253	942,130
Subcontractors	1,078,016	2,246	2,250	1,082,512
Consultants	93,772	263,593	30,875	388,240
Supplies and materials	68,399	3,318	314	72,031
Mailing and production	16,958	1,505	2,565	21,028
Facility and equipment	371,274	111,537	2,752	485,563
Travel	91,665	21,784	11,117	124,566
Meetings and events	146,015	14,044	17,943	178,002
Licenses and fees	36,991	4,148	-	41,139
Insurance and other expenses	11,776	13,916	-	25,692
Other nonpersonnel expenses	<u>-</u>	<u>2,382</u>	<u>-</u>	<u>2,382</u>
	<u>\$ 5,852,259</u>	<u>\$ 1,223,063</u>	<u>\$ 224,261</u>	<u>\$ 7,299,583</u>

See accompanying notes to financial statements.

NATIONAL HEALTH LAW PROGRAM, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 3,307,030	\$ 503,501	\$ 54,592	\$ 3,865,123
Fringe benefits	786,935	193,486	8,942	989,363
Subcontractors	885,930	-	4,000	889,930
Consultants	109,965	227,619	137,643	475,227
Supplies and materials	63,526	3,379	702	67,607
Mailing and production	12,418	1,939	735	15,092
Facility and equipment	347,544	116,695	954	465,193
Travel	117,412	7,527	7,210	132,149
Meetings and events	169,033	3,028	288	172,349
Licenses and fees	31,800	3,692	80	35,572
Insurance and other expenses	5,850	21,340	-	27,190
Other nonpersonnel expenses	<u>15</u>	<u>1,830</u>	<u>-</u>	<u>1,845</u>
	<u>\$ 5,837,458</u>	<u>\$ 1,084,036</u>	<u>\$ 215,146</u>	<u>\$ 7,136,640</u>

See accompanying notes to financial statements.

NATIONAL HEALTH LAW PROGRAM, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 4,660,226	\$ 383,843
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	9,645	2,015
Realized and unrealized gains on investments	(567,020)	150,234
Contributed stock	(29,066)	-
(Increase) decrease in operating assets:		
Proceeds from sales of contributed stock	1,770,820	1,704,101
Grants receivable	(3,358,135)	(433,482)
Accounts receivable	(3,037)	174,284
Prepaid expenses	81,168	(10,805)
Deferred rent asset	11,487	(71,227)
Increase (decrease) in operating liabilities:		
Accounts payable	173,375	164,596
Accrued expenses	(66,511)	32,191
Deferred revenue	(19,792)	28,319
Deferred rent	(41,035)	182,709
Net cash provided by operating activities	<u>2,622,125</u>	<u>2,306,778</u>
Cash Flows from Investing Activities		
Purchases of investments	(1,889,207)	(6,672,359)
Proceeds from maturity of investments	6,594,038	5,204,004
Capitalization of intangible asset	-	(26,000)
Purchase of property and equipment	(6,980)	-
Net cash provided by (used in) investing activities	<u>4,697,851</u>	<u>(1,494,355)</u>
Net Increase in Cash and Cash Equivalents	7,319,976	812,423
Cash and Cash Equivalents, Beginning of Year	<u>2,986,063</u>	<u>2,173,640</u>
Cash and Cash Equivalents, End of Year	<u>\$ 10,306,039</u>	<u>\$ 2,986,063</u>

See accompanying notes to financial statements.

NATIONAL HEALTH LAW PROGRAM, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

SUPPLEMENTARY DISCLOSURES

	<u>2019</u>	<u>2018</u>
Noncash Operating Activities:		
Contributed stock received for payment of grants receivable	<u>\$ 1,716,025</u>	<u>\$ 1,683,975</u>

See accompanying notes to financial statements.

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1 - NATURE OF OPERATIONS

National Health Law Program, Inc. (the "Organization") was organized in March 1976 pursuant to the General Non-Profit Corporation Law of California. The Organization is a national public interest law firm, supported primarily through donor contributions and grants, that seeks to improve healthcare for America's working and unemployed poor, minorities, elderly and people with disabilities. The Organization provides legal services to community-based organizations, the private bar, providers, and individuals who work to preserve a healthcare safety net for the millions of uninsured or underinsured low-income people.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accounts of the Organization are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less at the date of purchase to be cash equivalents.

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are stated at fair value based on quoted market prices. Unrealized gains and losses are included in the change in net assets. Realized gains and losses are computed and recognized using the specific identification method.

The Organization's investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with investments, it is at least reasonably possible that changes in the fair value of investments may occur in the near term and could materially affect the amounts reported in the financial statements.

Grants Receivable

Grants receivable in the accompanying statements of financial position consist of unconditional promises to give which are recorded at their net realizable value at the time the promises are received. Unconditional promises to give due in more than one year are recognized at fair value, using present value techniques and a discount rate based on Treasury yield curve rates corresponding to the period of the grant. As of December 31, 2019 and 2018, grants that were to be received in one to five years totaled \$1,011,618 and \$36,222, respectively, of which the discounts to present value were considered by management to be negligible and therefore the balances were not adjusted.

Management has determined that all grants receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at December 31, 2019 and 2018.

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable arising from service contracts represent an unconditional right to payment, and are stated at unpaid balances, less an allowance for doubtful accounts. The Organization is at risk to the extent such amounts become uncollectible. The allowance for doubtful accounts includes management's estimate of the amounts expected to be lost on specific accounts receivable and for losses on unidentified accounts included in accounts receivable. In estimating potential losses, management relies on payment history, stability of debtors, historical experience and industry trends. Receivables are written off when management determines the receivable is worthless. The amounts the Organization will ultimately realize could differ materially in the near term from the amounts assumed in arriving at the amounts reported in the financial statements.

Management has determined that all accounts receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at December 31, 2019 and 2018.

Property and Equipment

Purchased property and equipment is recorded at cost. Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as assets with restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as assets without restrictions.

The Organization uses the straight-line method of depreciation over the estimated useful lives of the respective assets for financial reporting purposes. Leasehold improvements are amortized over the shorter of the term of the lease or the life of the improvements. The estimated useful lives are as follows:

Office furniture and equipment	3 - 10 years
Leasehold improvements	10 years

Normal repairs and maintenance are expensed as incurred, whereas significant charges that materially increase values or useful lives are capitalized and depreciated over the estimated useful lives of the related assets.

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment losses, if any, are recognized when estimated future cash flows (undiscounted and without interest charges) derived from such assets are less than their carrying values. Management believes no such impairment occurred during the years ended December 31, 2019 and 2018.

Intangible Asset

The intangible asset consists of website development costs. These costs are deemed to have definite lives and are amortized on a straight-line basis over their useful life, which currently is over a three year period. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The intangible asset has a cost basis of \$20,000. Amortization expense was \$8,667 and \$721 for December 31, 2019 and 2018, respectively.

Revenue Recognition

On June 21, 2018, the Financial Accounting Standards Board issued Accounting Standards Update 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made ("ASU 2018-08") effective for fiscal years beginning after December 15, 2018. The new guidance applies to all entities that receive or make contributions. ASU 2018-08 includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. ASU 2018-08 also provides framework to determine whether a contribution is conditional or unconditional, which may impact the timing of revenue recognition. Under the new guidance, if a transaction is considered an exchange transaction, it is accounted for under the applicable revenue recognition standards. The Organization has adopted ASU 2018-08 for the year ended December 31, 2019 with a full retrospective approach. There was no impact as a result of ASU 2018-08 on contributions received or made.

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Grants

Revenue from cost reimbursable grants is recorded to the extent of expenses incurred applicable to the grant. Any difference between expenses incurred and the total funds received (not to exceed the grant maximum) is recorded as a receivable or deferred revenue, whichever is applicable.

Contributions and Gifts

All contributions and gifts support are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as net assets with donor restrictions and increase that respective net asset class. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

On May 28, 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606), ("ASU 2014-09"), effective for fiscal years beginning after December 15, 2018. On January 1, 2019 the Organization adopted ASU 2014-09, which replaces numerous requirements in U.S. GAAP, including industry-specific requirements, and provides entities with a single revenue recognition model for recognizing revenue from contracts with customers.

The Organization adopted ASU 2014-09 using the modified retrospective method. The Organization applied this method to uncompleted contracts as of the date of initial application. As a result, balances as of January 1, 2019 reflect the adoption of ASU 2014-09, while prior period balances are not adjusted and continue to be reported in accordance with historical accounting policies. There was no significant impact to revenue previously recognized resulting from the Organization's adoption of ASU 2014-09. Therefore, there was no adjustment to retained earnings for a cumulative adjustment.

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

In accordance with the new standard the Organization applies the following five steps to contracts with customers (1) identifies the contract(s) with the customer (2) identifies the performance obligations in the contract (3) determines the transaction price (4) allocates the transaction price to the performance obligations in the contract (5) recognizes revenue when or as a performance obligation is satisfied. The Organization's application of these steps is discussed below.

The Organization accounts for a contract with a customer when it has approval and commitment from all parties, the rights of the parties, including payment terms, are identified, the contract has commercial substance and consideration is probable of collection.

At the inception of each contract, the Organization evaluates the promised services to determine whether the contract should be accounted for as having one or more performance obligations. A performance obligation is a promise to transfer a distinct service to a customer and represents the unit of accounting for revenue recognition.

Revenue is recognized when, or as, control of a promised service (referred to above as a performance obligation) transfers to a customer, in an amount that reflects the consideration to which the company expects to be entitled in exchange for transferring those services.

Service Income

Service income consists of Service Contracts, Attorney Fees, and Conference Fees.

Service contracts are primarily comprised of professional services under fixed-price and cost-reimbursable contracts. Service contracts are considered a single performance obligation and revenue is recognized over time using an output method or costs incurred to date, because there is an enforceable right to payment and the goods and services do not create an asset with an alternative use. The output method is based on the right to invoice practical expedient, allowing the Organization to recognize revenue in the amount for which it has the right to invoice, which corresponds directly with the value of the entity's performance completed to date.

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Attorney services are provided on a contingent basis and are recognized as a single performance obligation upon settlement of related legal case. The Organization is not able to estimate the variable consideration for current ongoing cases, as future outcome is highly susceptible to factors outside of the Organization's control. When and if the Organization receives a favorable judgment, revenue is recognized to the extent of attorney fees received from the settlement once amounts are determinable. The Organization reviews and updates estimates of variable consideration at each reporting date until the uncertainty is resolved.

Conference fees are derived from an annual conference held by the Organization. Revenue is recognized on the date the event has taken place.

Other Income Revenue

Rental income arising from an operating sublease is recognized in other income on a straight-line basis over the term of the lease. The difference between rent income recognized and rental payments received, as stipulated in the lease, is reflected as deferred revenue or deferred rent asset in the statements of financial position.

Contributed Services and Materials

Contributed services are reported at fair value at the date of donation in the financial statements for voluntary donations of services when those services (1) create or enhance non-financial assets or (2) require specialized skills provided by individuals possessing those skills and are services which would typically be purchased if not provided by donation. For the years ended December 31, 2019 and 2018, no amounts have been recorded in the financial statements, as they do not meet the criteria required by U.S. GAAP.

Functional Expenses

Operating expenses directly identified with a functional area are charged to that area. Expenses affecting more than one area are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and related costs, and employee benefits, which are allocated on a basis of time and effort. Other expenses allocated include occupancy and other operating expenses, which are allocated based on wages and number of employees, respectively.

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is a nonprofit corporation that is exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and the California Revenue and Taxation Code Section 23701(d). Accordingly, no provision has been made for income taxes.

The Organization evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if tax positions were more likely than not to be sustained upon examination. Management has evaluated the Organization's tax positions and believes there are no uncertain positions required to be recorded or disclosed for the years ended December 31, 2019 and 2018.

By statute, the Organization's federal and state income tax returns generally remain subject to examination by taxing authorities for three and four years, respectively, from the date the return is filed.

Deferred Rent

Rent expense is recognized on a straight-line basis over the life of the lease. The difference between rent expense recognized and rental payments, as stipulated in the lease, is reflected as deferred rent in the statements of financial position.

Concentrations of Risk

The Organization's cash and cash equivalents and investment balances held at financial institutions generally exceed federally insured limits or exceed amounts insured by Securities Investor Protection Corporation. The Organization has not experienced and does not anticipate any losses relating to these accounts.

As of December 31, 2019, two donors represented approximately 78% of grants receivable. As of December 31, 2018, two different donors represented approximately 83% of grants receivable.

The Organization received grants from two donors in 2019 that constituted 64% of total grants and contributions. The Organization received contributions from one different donor in 2018 that constituted 54% of total grants and contributions.

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liquidity and Availability of Financial Assets

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 10,306,039	\$ 2,986,063
Investments	5,431,775	7,613,826
Current portion of grants receivable	3,171,802	2,505,088
Accounts receivable	<u>122,060</u>	<u>119,023</u>
	<u>\$ 19,031,676</u>	<u>\$ 13,224,000</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To accomplish this, the Organization invests cash above operating requirements in short-term highly liquid investments.

Reclassification

Certain amounts reported in the prior year financial statements have been reclassified to conform to the current year presentation. Such reclassifications had no effect on net assets or the change in net assets reported as of and for the year ended December 31, 2018.

NOTE 3 - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

The three levels of the fair value hierarchy under Financial Accounting Standards Board Accounting Standards Codification 820 are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
---------	---

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2 Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of valuation methodologies for assets measured at fair value for which quoted prices in active markets cannot be obtained.

Fixed income: Composed of government securities, U.S. corporate bonds, and certificates of deposits with initial maturity dates in excess of three months, which are valued based on a quoted price in an inactive market provided by recognized broker dealers who use pricing models maximizing the use of observable inputs for similar securities.

There were no changes in the methodologies used at December 31, 2019 and 2018.

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables set forth by level, within the hierarchy, the Organization's assets at fair value:

**Assets at Fair Value as of
December 31, 2019**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash and cash equivalents	\$ 8,386	\$ -	\$ -	\$ 8,386
Exchange traded funds	3,575,741	-	-	3,575,741
Fixed income	<u>-</u>	<u>1,847,648</u>	<u>-</u>	<u>1,847,648</u>
	<u>\$ 3,584,127</u>	<u>\$ 1,847,648</u>	<u>\$ -</u>	<u>\$ 5,431,775</u>

**Assets at Fair Value as of
December 31, 2018**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash and cash equivalents	\$ 21,712	\$ -	\$ -	\$ 21,712
Exchange traded funds	2,840,496	-	-	2,840,496
Fixed income	<u>-</u>	<u>6,733,107</u>	<u>-</u>	<u>6,733,107</u>
	<u>\$ 2,862,208</u>	<u>\$ 6,733,107</u>	<u>\$ -</u>	<u>\$ 9,595,315</u>

Investment income consists of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 227,584	\$ 162,105
Realized and unrealized gains (losses)	567,020	(150,234)
Investment fees	<u>-</u>	<u>(20)</u>
	<u>\$ 794,604</u>	<u>\$ 11,851</u>

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2019</u>	<u>2018</u>
Office furniture and equipment	\$ 34,346	\$ 34,346
Leasehold improvements	<u>12,690</u>	<u>5,710</u>
	47,036	40,056
Accumulated depreciation and amortization	<u>(39,416)</u>	<u>(38,438)</u>
	<u>\$ 7,620</u>	<u>\$ 1,618</u>

Depreciation and amortization expense totaled \$978 and \$1,294 for the years ended December 31, 2019 and 2018, respectively.

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for program-specific expenditures and future operations. Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors or the passage of time.

Net assets with donor restrictions consist of the following:

	<u>2019</u>	<u>2018</u>
Program restricted	\$ 8,240,351	\$ 2,644,676
Operations - time restricted	<u>-</u>	<u>1,781,025</u>
	<u>\$ 8,240,351</u>	<u>\$ 4,425,701</u>

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 6 - EMPLOYEE RETIREMENT PLAN

The Organization maintains a defined contribution 403(b) plan, which allows all eligible employees to defer a portion of their eligible pretax earnings up to the annual contribution limit allowed by the Internal Revenue Service. The Organization's matching contributions are discretionary, and totaled \$98,402 and \$81,946 for the years ended December 31, 2019 and 2018, respectively.

NOTE 7 - COMMITMENTS

Leases

The Organization leases office spaces under noncancelable lease agreements that expire between December 2021 and June 2027. One lease carries two 5-year extension options and another a one 5-year extension option. The Organization is also obligated to pay their pro rata share of operating expenses, real estate taxes and is subject to periodic rent escalation under the leases.

Future minimum rental payments for each of the remaining years are as follows:

Year Ending December 31,

2020	\$	450,950
2021		450,047
2022		365,300
2023		228,231
2024		84,058
Thereafter		<u>183,206</u>
	\$	<u><u>1,761,792</u></u>

Rent expense totaled \$395,702 and \$388,615 for the years ended December 31, 2019 and 2018, respectively.

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 7 - COMMITMENTS (CONTINUED)

Sublease

The Organization has a sublease agreement for a portion of a leased office space, which expires in June 2023.

Future rental payments to be received under the sublease agreement are as follows:

Year Ending December 31,

2020	\$	102,321
2021		104,879
2022		107,501
2023		<u>55,094</u>
	\$	<u>369,795</u>

NOTE 8 - SUBSEQUENT EVENTS

The Organization evaluated subsequent events through March 31, 2020, the date at which the financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the statement of financial position date, but prior to March 31, 2020, that would have a material impact on its financial statements.