

NATIONAL HEALTH LAW PROGRAM, INC.

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019**

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 - 23 |



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, 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 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, 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.

A handwritten signature in blue ink that reads "Beach Freeman & O'Leary, LLP". The signature is written in a cursive style with a vertical line separating the firm name from the "LLP" suffix.

El Segundo, California
March 26, 2021

NATIONAL HEALTH LAW PROGRAM, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 14,895,331 | \$ 10,306,039 |
| Investments | 4,082,611 | 5,431,775 |
| Current portion of grants receivable | 1,644,860 | 3,171,802 |
| Accounts receivable | 84,623 | 122,060 |
| Prepaid expenses | <u>60,178</u> | <u>19,206</u> |
| | <u>20,767,603</u> | <u>19,050,882</u> |
| Property and Equipment, net | <u>6,351</u> | <u>7,620</u> |
| Non-Current Assets | | |
| Intangible asset, net | 7,222 | 15,889 |
| Grants receivable, net of current portion | 1,050,000 | 1,011,618 |
| Deferred rent asset | 45,763 | 59,740 |
| Deposits | <u>39,421</u> | <u>33,182</u> |
| | <u>1,142,406</u> | <u>1,120,429</u> |
| | <u>\$ 21,916,360</u> | <u>\$ 20,178,931</u> |

See accompanying notes to financial statements.

NATIONAL HEALTH LAW PROGRAM, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

LIABILITIES AND NET ASSETS

| | <u>2020</u> | <u>2019</u> |
|----------------------------|----------------------|----------------------|
| Current Liabilities | | |
| Accounts payable | \$ 689,875 | \$ 429,653 |
| Accrued expenses | 278,319 | 141,951 |
| Deferred revenue | <u>25,792</u> | <u>8,527</u> |
| | 993,986 | 580,131 |
| Deferred Rent | <u>137,872</u> | <u>183,865</u> |
| Total Liabilities | <u>1,131,858</u> | <u>763,996</u> |
| Commitments (Note 7) | | |
| Net Assets | | |
| Without donor restrictions | 14,441,902 | 11,174,584 |
| With donor restrictions | <u>6,342,600</u> | <u>8,240,351</u> |
| | <u>20,784,502</u> | <u>19,414,935</u> |
| | <u>\$ 21,916,360</u> | <u>\$ 20,178,931</u> |

See accompanying notes to financial statements.

NATIONAL HEALTH LAW PROGRAM, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020

| | Without donor restrictions | With donor restrictions | Total |
|--------------------------------------|-------------------------------|----------------------------|----------------------|
| Revenues | | | |
| Grants | \$ 3,938,075 | \$ 3,943,612 | \$ 7,881,687 |
| Contributions and gifts | 293,550 | - | 293,550 |
| In-kind contributions | 655,615 | - | 655,615 |
| Service income | 588,610 | - | 588,610 |
| Investment income | 550,055 | - | 550,055 |
| Other income | 105,673 | - | 105,673 |
| Net assets released from restriction | <u>5,841,363</u> | <u>(5,841,363)</u> | <u>-</u> |
| | <u>11,972,941</u> | <u>(1,897,751)</u> | <u>10,075,190</u> |
| Expenses | | | |
| Program services | 6,780,237 | - | 6,780,237 |
| General and administrative | 1,637,119 | - | 1,637,119 |
| Fundraising | <u>288,267</u> | <u>-</u> | <u>288,267</u> |
| | <u>8,705,623</u> | <u>-</u> | <u>8,705,623</u> |
| Change in Net Assets | 3,267,318 | (1,897,751) | 1,369,567 |
| Net Assets, Beginning of Year | <u>11,174,584</u> | <u>8,240,351</u> | <u>19,414,935</u> |
| Net Assets, End of Year | <u>\$ 14,441,902</u> | <u>\$ 6,342,600</u> | <u>\$ 20,784,502</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 FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2020

| | <u>Program Services</u> | <u>General and Administrative</u> | <u>Fundraising</u> | <u>Total</u> |
|------------------------------|-----------------------------|---------------------------------------|--------------------|---------------------|
| Salaries and wages | \$ 3,106,055 | \$ 745,453 | \$ 203,784 | \$ 4,055,292 |
| Fringe benefits | 847,442 | 273,075 | 55,600 | 1,176,117 |
| Subcontractors | 1,433,284 | - | - | 1,433,284 |
| Consultants | 242,814 | 393,503 | 2,601 | 638,918 |
| In-kind contributions | 647,369 | 8,246 | - | 655,615 |
| Supplies and materials | 59,637 | 2,432 | 133 | 62,202 |
| Mailing and production | 13,490 | 1,815 | 776 | 16,081 |
| Facility and equipment | 348,964 | 189,408 | 256 | 538,628 |
| Travel | 18,916 | 5,817 | 4,189 | 28,922 |
| Meetings and events | 17,046 | 11,165 | 10,451 | 38,662 |
| Licenses and fees | 32,428 | 1,590 | 10,477 | 44,495 |
| Insurance and other expenses | 12,753 | 1,677 | - | 14,430 |
| Other nonpersonnel expenses | <u>39</u> | <u>2,938</u> | <u>-</u> | <u>2,977</u> |
| | <u>\$ 6,780,237</u> | <u>\$ 1,637,119</u> | <u>\$ 288,267</u> | <u>\$ 8,705,623</u> |

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 | - | 2,382 | - | 2,382 |
| | <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.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

| | 2020 | 2019 |
|---|---------------|---------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ 1,369,567 | \$ 4,660,226 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 9,936 | 9,645 |
| Realized and unrealized gains on investments | (390,701) | (567,020) |
| Contributed stock | (1,109) | (29,066) |
| (Increase) decrease in operating assets: | | |
| Proceeds from sales of contributed stock | 1,073 | 1,770,820 |
| Grants receivable | 1,488,560 | (3,358,135) |
| Accounts receivable | 37,437 | (3,037) |
| Prepaid expenses | (40,972) | 81,168 |
| Deferred rent asset | 13,977 | 11,487 |
| Deposits | (6,239) | - |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | 260,222 | 173,375 |
| Accrued expenses | 136,368 | (66,511) |
| Deferred revenue | 17,265 | (19,792) |
| Deferred rent | (45,993) | (41,035) |
| Net cash provided by operating activities | 2,849,391 | 2,622,125 |
| Cash Flows from Investing Activities | | |
| Purchases of investments | (107,747) | (1,889,207) |
| Proceeds from maturity of investments | 1,847,648 | 6,594,038 |
| Purchase of property and equipment | - | (6,980) |
| Net cash provided by investing activities | 1,739,901 | 4,697,851 |
| Net Increase in Cash and Cash Equivalents | 4,589,292 | 7,319,976 |
| Cash and Cash Equivalents, Beginning of Year | 10,306,039 | 2,986,063 |
| Cash and Cash Equivalents, End of Year | \$ 14,895,331 | \$ 10,306,039 |

See accompanying notes to financial statements.

NATIONAL HEALTH LAW PROGRAM, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

SUPPLEMENTARY DISCLOSURES

| | <u>2020</u> | <u>2019</u> |
|---|-------------|---------------------|
| Contributed stock received for payment of grants receivable | <u>\$ -</u> | <u>\$ 1,716,025</u> |

See accompanying notes to financial statements.

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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.

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.

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

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, 2020 and 2019, grants that were to be received in one to five years totaled \$1,050,000 and \$1,011,618, 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, 2020 and 2019.

Accounts Receivable

Accounts receivable arising from service contracts represent an unconditional right to payment, are unsecured, and 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 as of December 31, 2020 and 2019.

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 estimated useful life of the improvement or the term of the lease. 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.

Long-lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If the cost basis of a long-lived asset is greater than the projected future undiscounted net cash flows from such asset (excluding interest), an impairment loss is recognized. Impairment losses are calculated as the difference between the cost basis of an asset and its estimated fair value.

During the years ended December 31, 2020 and 2019, management noted no indicators requiring review for impairment and no adjustments have been made to the carrying values of long-lived assets. There can be no assurance, however, that market conditions will not change or demand for the Organization's services will continue which could result in impairment of long-lived assets in the future.

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 for December 31, 2020 and 2019, respectively. Amortization expense is expected to be approximately \$7,222 in 2021, when it will then be fully amortized.

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 by the lease, is reflected as deferred rent on the balance sheet.

Revenue Recognition

The Organization recognizes contribution revenue in accordance with Topic 958 *Not-for-Profit Entities*. As such, the Organization considers specific criteria when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction, and when determining whether a contribution is conditional or unconditional.

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.

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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.

The Organization also recognizes revenue in accordance with Topic 606 *Revenue from Contracts with Customers*. As such, revenue is recognized when, or as, control of a promised product or service transfers to a customer, in an amount that is based on the consideration the Organization expects to receive in exchange for transferring those products or 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.

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.

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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, in accordance with Topic 840 *Leases*. The difference between rent income recognized and rental payments received, as stipulated in the lease, is reflected as 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. Contributed services totaled \$655,615 for the year ended December 31, 2020. The contributed services are reflected as in-kind contributions in revenue and an equivalent amount as an expense in the statement of activities. No contributed services were recorded for the year ended December, 31, 2019.

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, 2020 AND 2019

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, 2020 and 2019.

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.

Concentrations and Risks

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, 2020, three donors represented approximately 74% of grants receivable. As of December 31, 2019, one of those donors and one other donor represented approximately 78% of grants receivable.

The Organization received grants from four donors in 2020 that constituted 63% of total grants and contributions. One of those donors and one other represented approximately 64% of total grants received in 2019.

In March 2020, the President of the United States declared a national emergency in connection with the COVID-19 worldwide pandemic. The pandemic represents a market and economic risk factor. The Organization continues to follow the policies described above, including those related to impairments of long-lived and intangible assets, and estimates and assumptions that affect certain assets. While the results of current analyses did not result in any material adjustments to amounts as of December 31, 2020, circumstances related to the COVID-19 pandemic may result in recording impairments and credit losses in future periods.

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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>2020</u> | <u>2019</u> |
|--------------------------------------|----------------------|----------------------|
| Cash and cash equivalents | \$ 14,895,331 | \$ 10,306,039 |
| Investments | 4,082,611 | 5,431,775 |
| Current portion of grants receivable | 1,644,860 | 3,171,802 |
| Accounts receivable | <u>84,623</u> | <u>122,060</u> |
| | <u>\$ 20,707,425</u> | <u>\$ 19,031,676</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.

NOTE 3 - FAIR VALUE MEASUREMENTS

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements. The amendments in this update are effective for all entities for fiscal years beginning after December 15, 2019, including interim periods within that fiscal year. The Organization adopted ASU 2018-13 on January 1, 2020, and the adoption had no impact on the financial statements.

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, 2020 AND 2019

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, 2020 and 2019.

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020 | | | | |
|---|---------------------|----------------|----------------|---------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Investments: | | | | |
| Cash and cash equivalents | \$ 69 | \$ - | \$ - | \$ 69 |
| Exchange traded funds | <u>4,082,542</u> | <u>-</u> | <u>-</u> | <u>4,082,542</u> |
| | <u>\$ 4,082,611</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,082,611</u> |

| 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> |

Investment income consists of the following:

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|
| Interest and dividends | \$ 159,359 | \$ 227,584 |
| Realized and unrealized gains (losses) | 390,701 | 567,020 |
| Investment fees | <u>(5)</u> | <u>-</u> |
| | <u>\$ 550,055</u> | <u>\$ 794,604</u> |

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

| | <u>2020</u> | <u>2019</u> |
|--------------------------------|-----------------|-----------------|
| Office furniture and equipment | \$ 29,183 | \$ 34,346 |
| Leasehold improvements | <u>12,690</u> | <u>12,690</u> |
| | 41,873 | 47,036 |
| Accumulated depreciation | <u>(35,522)</u> | <u>(39,416)</u> |
| | <u>\$ 6,351</u> | <u>\$ 7,620</u> |

Depreciation expense totaled \$1,269 and \$978 for the years ended December 31, 2020 and 2019, 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>2020</u> | <u>2019</u> |
|------------------------------|---------------------|---------------------|
| Program restricted | \$ 6,277,600 | \$ 8,240,351 |
| Operations - time restricted | <u>65,000</u> | <u>-</u> |
| | <u>\$ 6,342,600</u> | <u>\$ 8,240,351</u> |

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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 \$89,052 and \$98,402 for the years ended December 31, 2020 and 2019, 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 carries 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.

Leases (Continued)

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

Year Ending December 31,

| | | |
|------------|----|------------------|
| 2021 | \$ | 449,111 |
| 2022 | | 364,336 |
| 2023 | | 227,239 |
| 2024 | | 83,035 |
| 2025 | | 85,526 |
| Thereafter | | <u>132,789</u> |
| | \$ | <u>1,342,036</u> |

Rent expense totaled \$429,693 and \$395,702 for the years ended December 31, 2020 and 2019, respectively.

NATIONAL HEALTH LAW PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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,

| | | |
|------|----|----------------|
| 2021 | \$ | 104,879 |
| 2022 | | 107,501 |
| 2023 | | <u>55,094</u> |
| | \$ | <u>267,474</u> |

NOTE 8 - SUBSEQUENT EVENTS

The Organization evaluated subsequent events through March 26, 2021, the date at which the financial statements were available to be issued. Other than what has been previously disclosed, the Organization is not aware of any significant events that occurred subsequent to the statement of financial position date, but prior to March 26, 2021, that would have a material impact on its financial statements.