CONSOLIDATED FINANCIAL STATEMENTS

Ipas
Health. Access. Rights.

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

IPAS

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GELMAN, ROSENBERG
& FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ipas
Chapel Hill, North Carolina

We have audited the accompanying consolidated financial statements of Ipas, which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ipas as of June 30, 2017 and 2016, and the consolidated changes in its net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Schedules of Financial Position on pages 20 and 22 and the Consolidating Schedules of Activities and Change in Net Assets on pages 21 and 23 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Gelman Rozenberg & Freedman

November 27, 2017

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2017 AND 2016

ASSETS

	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	$ 21,912,223	$ 26,767,288
Investments (Notes 3 and 10)	11,577,165	11,305,324
Accounts receivable	483,391	787,160
Grants receivable (Note 4)	33,930,269	41,630,271
Contracts receivable	1,745,225	3,857,455
Prepaid expenses	790,861	846,602
Total current assets	70,439,134	85,194,100
FIXED ASSETS		
Equipment and leasehold improvements	4,503,579	4,299,482
Less: Accumulated depreciation and amortization	(3,587,503)	(3,664,871)
Net fixed assets	916,076	634,611
OTHER ASSETS		
Grants receivable, non-current portion (Note 4)	27,056,953	25,294,007
TOTAL ASSETS	$ 98,412,163	$ 111,122,718

LIABILITIES AND NET ASSETS

	2017	2016
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 2,585,270	$ 1,860,368
Accrued salaries and related benefits	4,491,978	4,259,230
Total current liabilities	7,077,248	6,119,598
NET ASSETS		
Unrestricted:		
Undesignated	6,077,563	6,581,672
Board designated (Note 5):		
Reserve	11,188,089	10,212,769
Laufe Research and Development	157,329	157,329
Total unrestricted	17,422,981	16,951,770
Temporarily restricted (Note 6):		
Ipas	73,410,504	86,765,605
IDF directly funded programs	501,430	1,285,745
Total temporarily restricted	73,911,934	88,051,350
Total net assets	91,334,915	105,003,120
TOTAL LIABILITIES AND NET ASSETS	$ 98,412,163	$ 111,122,718

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017		
	Unrestricted	**Temporarily Restricted**	**Total**
REVENUE AND SUPPORT			
Contributions and grants (Note 9)	$ 1,154,398	$ 40,104,855	$ 41,259,253
Contracts	6,526,389	-	6,526,389
Investment income (loss) (Note 3)	1,118,373	-	1,118,373
Other revenue	151,306	-	151,306
Net assets released from donor restrictions (Note 6)	53,459,956	(53,459,956)	-
Total revenue and support	62,410,422	(13,355,101)	49,055,321
EXPENSES			
Program Services:			
Africa	18,061,990	-	18,061,990
Asia	11,371,369	-	11,371,369
Latin America	6,850,451	-	6,850,451
Global	12,786,128	-	12,786,128
Total program services	49,069,938	-	49,069,938
Supporting Services:			
Operations	11,935,745	-	11,935,745
Development	2,252,074	-	2,252,074
Total supporting services	14,187,819	-	14,187,819
Total expenses	63,257,757	-	63,257,757
Changes in net assets before other items	(847,335)	(13,355,101)	(14,202,436)
OTHER ITEMS			
IDF directly funded contributions and grants	-	135,000	135,000
IDF directly funded net assets released from restrictions (Note 6)	919,315	(919,315)	-
Foreign currency gain (loss)	399,231	-	399,231
Changes in net assets	471,211	(14,139,416)	(13,668,205)
Net assets at beginning of year	16,951,770	88,051,350	105,003,120
NET ASSETS AT END OF YEAR	**$ 17,422,981**	**$ 73,911,934**	**$ 91,334,915**

See accompanying notes to consolidated financial statements.

	2016		
	Unrestricted	Temporarily Restricted	Total
	$ 1,081,144	$ 58,249,503	$ 59,330,647
	8,902,312	-	8,902,312
	(8,297)	-	(8,297)
	1,361,579	-	1,361,579
	49,223,759	(49,223,759)	-
	60,560,497	9,025,744	69,586,241
	20,317,095	-	20,317,095
	9,830,928	-	9,830,928
	5,394,015	-	5,394,015
	11,828,504	-	11,828,504
	47,370,542	-	47,370,542
	11,013,035	-	11,013,035
	2,063,707	-	2,063,707
	13,076,742	-	13,076,742
	60,447,284	-	60,447,284
	113,213	9,025,744	9,138,957
	-	36,000	36,000
	407,292	(407,292)	-
	(1,019,889)	-	(1,019,889)
	(499,384)	8,654,452	8,155,068
	17,451,154	79,396,898	96,848,052
	$ 16,951,770	**$ 88,051,350**	**$ 105,003,120**

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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services					Supporting Services			
	Africa	Asia	Latin America	Global	Total Program Services	Operations	Development	Total Supporting Services	Total Expenses
Salaries and related benefits (Note 8)	$ 7,092,071	$ 4,503,867	$ 3,195,233	$ 8,764,526	$ 23,555,697	$ 5,700,568	$ 1,880,366	$ 7,580,934	$ 31,136,631
Travel	4,865,039	2,015,907	1,113,632	984,172	8,978,750	265,872	99,889	365,761	9,344,511
Consultants	1,459,868	1,265,177	802,109	749,529	4,276,683	3,319,426	222,830	3,542,256	7,818,939
Operating expenses	1,393,312	1,147,436	584,488	352,936	3,478,172	2,646,533	48,989	2,695,522	6,173,694
Subcontracts	512,333	1,016,440	6,455	1,372,575	2,907,803	3,346	-	3,346	2,911,149
Grants	497,955	208,283	90,565	259,257	1,056,060	-	-	-	1,056,060
Program expenses	2,241,412	1,214,259	1,057,969	303,134	4,816,774	-	-	-	4,816,774
TOTAL	**$ 18,061,990**	**$ 11,371,369**	**$ 6,850,451**	**$ 12,786,128**	**$ 49,069,938**	**$ 11,935,745**	**$ 2,252,074**	**$ 14,187,819**	**$ 63,257,757**

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services					Supporting Services			
	Africa	Asia	Latin America	Global	Total Program Services	Operations	Development	Total Supporting Services	Total Expenses
Salaries and related benefits (Note 8)	$ 7,339,134	$ 4,099,142	$ 2,997,682	$ 7,690,793	$ 22,126,751	$ 5,341,036	$ 1,855,680	$ 7,196,716	$ 29,323,467
Travel	4,967,978	1,571,910	698,469	1,263,159	8,501,516	779,771	75,807	855,578	9,357,094
Consultants	1,752,680	931,917	598,356	818,786	4,101,739	2,112,902	61,193	2,174,095	6,275,834
Operating expenses	1,495,026	1,070,664	237,523	214,704	3,017,917	2,680,182	70,027	2,750,209	5,768,126
Subcontracts	1,136,630	1,094,931	9,000	1,320,587	3,561,148	68,960	-	68,960	3,630,108
Grants	459,074	174,773	121,846	283,893	1,039,586	-	1,000	1,000	1,040,586
Program expenses	3,166,573	887,591	731,139	236,582	5,021,885	30,184	-	30,184	5,052,069
TOTAL	**$ 20,317,095**	**$ 9,830,928**	**$ 5,394,015**	**$ 11,828,504**	**$ 47,370,542**	**$ 11,013,035**	**$ 2,063,707**	**$ 13,076,742**	**$ 60,447,284**

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (13,668,205)	$ 8,155,068
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	241,153	277,611
Unrealized (gain) loss	(966,273)	28,275
Realized (gain) loss	(31,655)	174,056
Change in allowance to discount non-current portion of grants receivable	(54,968)	612,180
Decrease (increase) in:		
Accounts receivable	303,769	172,988
Grants receivable	5,992,024	2,785,245
Contracts receivable	2,112,230	(1,675,200)
Prepaid expenses	55,741	256,456
Cash surrender value - life insurance	-	275,828
Increase (decrease) in:		
Accounts payable and accrued liabilities	724,902	(1,378,919)
Accrued salaries and related benefits	232,748	1,169,655
Net cash (used) provided by operating activities	(5,058,534)	10,853,243
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(522,618)	(276,922)
Sale of investments, net	726,087	1,392,400
Net cash provided by investing activities	203,469	1,115,478
Net (decrease) increase in cash and cash equivalents	(4,855,065)	11,968,721
Cash and cash equivalents at beginning of year	26,767,288	14,798,567
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 21,912,223**	**$ 26,767,288**

See accompanying notes to consolidated financial statements.

1. GENERAL INFORMATION

Organization -

Ipas is a non-profit organization, incorporated in the State of North Carolina and located in Chapel Hill, North Carolina.

Ipas was established for the following purposes:

- Promote, support, and facilitate the extension of reproductive health services.

- Educate health professionals and establish standards for the provision of reproductive health services.

- Assemble and provide information and consultation regarding the need for and delivery of reproductive health services.

- Educate the public, government, and international organizations concerning the needs for and provision of reproductive health services.

- Develop, organize, finance and support systems for reproductive health services.

In carrying out its prescribed purposes, Ipas has organized and provided initial financial support for reproductive health services throughout the world. Ipas also makes consultants available to train medical personnel involved in operating the facilities and in providing services. In support of its activities, Ipas receives its principal funding from private foundations as well as from European governments.

WomanCare Global LLC (“WCG, LLC”), in which Ipas is the sole member, was organized for the purpose of manufacturing and distributing technologies previously performed by Ipas. Ipas' tax-exempt status extends to WCG, LLC and WCG, LLC's financial statements are consolidated with Ipas. Effective July 1, 2011, WCG, LLC transferred the assets it had previously used to manufacture and distribute technologies to WomanCare Global International (“WCGI”), a United Kingdom registered charity, whose mission is to work with partners around the world to improve the lives of women by providing access to affordable, quality reproductive health products, a common mission with Ipas and WCG, LLC. On the date of the transfer, WCG, LLC was the sole member of WCGI.

Effective February 4, 2013, Ipas, WCG, LLC, WCGI, Evofem, Inc., a for-profit Delaware corporation, Evofem LLC, a Delaware limited liability company, and WomanCare Global Trading CIC, a community interest company incorporated and registered in England and Wales and subsidiary of WCGI, signed an agreement to transfer control of WCGI to certain individuals previously approved by Evofem, Inc., with WCG, LLC resigning its sole membership. Under the terms of that agreement, WCGI's charitable mission must remain unchanged and WCGI must continue to engage in the same and similar activities, for at least five years from the effective date of the agreement unless a change is approved by Ipas. Ipas had previously granted WCGI the rights as licensee to use its proprietary designs and intellectual property for the manufacture of certain medical devices. In connection with the transfer of control of WCGI, Ipas and WCGI entered into a license agreement governing WCGI's continued use of these proprietary properties and entitling Ipas to receive royalties from the manufacture of these medical devices.

1. GENERAL INFORMATION (Continued)

Organization (continued) -

On May 2, 2017, Ipas, WCGI, WomanCare Global Trading CIC, and DKT signed an agreement allowing DKT to assume control of the WomanCare Global Trading CIC entity from WCG International. This agreement effectively passed the exclusive license of Ipas devices from WCGI to DKT. In accordance with the terms of the agreement, Ipas will retain the patent over the designs and intellectual property for the manufacture of certain medical devices and DKT will receive an exclusive license to manufacture and distribute the medical devices throughout the world. The agreement is set to expire on November 14, 2023, the date the patent expires.

Ipas provides funding via a grant agreement with the Ipas Development Foundation (IDF), for program activities in India. Ipas Development Foundation (IDF) is a not-for-profit company registered under section 25 of The Indian Companies Act, 1956 (now Section 8 of Companies Act, 2013) in 2008. IDF is registered with Foreign Contributions Regulation Act (FCRA) to receive foreign funds. Ipas provides the majority of IDF funding and has elected to consolidate IDF due to its majority economic interest. However, the funding received directly by IDF, which is temporarily restricted, are reflected separately under the other item section of the accompanying Consolidated Statements of Activities and Changes in Net Assets. In addition, IDF's temporarily restricted net assets are shown separately on the accompanying Consolidated Statements of Financial Position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*.

The consolidated financial statements reflect the activities of Ipas and WCG, LLC, collectively, Ipas. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and cash equivalents -

Ipas considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents, and including money market funds held by investment managers in the amount of $13,100,450 and $15,978,658 for the years ended June 30, 2017 and 2016, respectively.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of $250,000. At times during the year, Ipas maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Ipas had $2,801,445 and $2,627,644 of cash on hand and cash at financial institutions in foreign countries at June 30, 2017 and 2016, respectively. The majority of such funds are not insured.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income (loss) in the Consolidated Statements of Activities and Changes in Net Assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts receivable -

Accounts receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Grants and contracts receivable -

Grants and contracts receivable are recorded at their net realizable value, which approximates fair value. Grants receivable that are expected to be collected in future years are recorded at fair value measured as the present value of their future cash flows.

The discounts on these 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 contributions and grants revenue. All grants and contracts receivable are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of $5,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to ten years.

Leasehold improvements are amortized over the remaining life of the lease, over seven to thirty one years. The cost of maintenance and repairs is recorded as expenses are incurred. Fixed assets purchased with restricted grant funds are recorded as an expense and charged against the grant which provided the funds to purchase the equipment and vehicles.

Depreciation and amortization expense for the years ended June 30, 2017 and 2016 totaled $241,153 and $277,611, respectively.

Income taxes -

Ipas is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. Ipas is not a private foundation.

With Ipas as its sole member, WCG, LLC has elected to be classified as a disregarded entity, and its activities are reflected on the Form 990 filed annually by Ipas.

IDF has been granted tax-exempt status by the Indian Government and therefore, no provision for income taxes with respect to IDF's operations has been made in the accompanying consolidated financial statements.

Uncertain tax positions -

For the years ended June 30, 2017 and 2016, Ipas and subsidiaries have documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation -

The U.S. dollar ("dollars") is the functional currency for Ipas' operations worldwide. Transactions in currencies other than U.S. dollars are translated into dollars at the rates of exchange in effect during the month of the transaction.

Current assets, current liabilities and temporarily restricted net assets denominated in non-U.S. currency are translated into dollars at the exchange rate in effect at the date of the Consolidated Statement of Financial Position.

Currency gains and losses from translation are recorded as an other item in the accompanying Consolidated Statements of Activities and Changes in Net Assets.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of Ipas and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of Ipas and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Contributions, grants and contracts -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted grants and contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying consolidated financial statements.

Ipas receives funding under grants and contracts from foreign governments and international organizations and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants and contracts are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Contributed services and materials -

Contributed services and materials valued at $367,966 and $593,579 for the years ended June 30, 2017 and 2016, respectively, consisted of medical supplies, equipment and professional services, and are recorded at their fair market value as of the date of the gift. These allowed Ipas to provide greater resources toward its various programs. Contributed services and materials have been included in Contributions and grants revenue and expenses in the accompanying Consolidated Statements of Activities and Changes in Net Assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates -

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Investment risks and uncertainties -

Ipas invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

Fair value measurement -

Ipas adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. Ipas accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

New accounting pronouncements not yet adopted -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958) (ASU 2016-14), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Consolidated Statements of Activities and Changes in Net Assets. ASU 2016-14 also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. ASU 2016-14 is effective for years beginning after December 15, 2017. Early adoption is permitted. ASU 2016-14 should be applied on a retrospective basis in the year the ASU 2016-14 is first applied. While ASU 2016-14 will change the presentation of the Ipas' consolidated financial statements, it is not expected to alter the Ipas' reported financial position.

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). ASU 2014-09 establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New accounting pronouncements not yet adopted (continued) -

The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year thus the effective date is fiscal years beginning after December 15, 2018. Early adoption is permitted and should be applied retrospectively in the year ASU 2014-09 is first applied. Ipas plans to adopt the new ASU 2014-09 at the required implementation date.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842) (ASU 2016-02). ASU 2016-02 changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Consolidated Statements of Financial Position and disclosing key information about leasing arrangements. ASU 2016-02 is effective for private entities for fiscal years beginning after December 31, 2019. Early adoption is permitted. ASU 2016-02 should be applied at the beginning of the earliest period presented using a modified retrospective approach. Ipas plans to adopt the new ASU 2016-02 at the required implementation date.

3. INVESTMENTS

Investments consisted of the following at June 30, 2017 and 2016:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	$ 6,715,343	$ 7,605,796	$ 3,664,526	$ 3,701,776
Common stocks	834,649	969,738	4,231,347	4,162,739
U.S. Government agencies notes and bonds	1,771,400	1,760,313	1,619,955	1,636,310
Certificates of deposit	466,747	461,556	1,111,833	1,118,860
Corporate bonds	782,778	779,762	671,061	685,639
TOTAL INVESTMENTS	**$ 10,570,917**	**$ 11,577,165**	**$ 11,298,722**	**$ 11,305,324**

Included in investment income (loss) are the following:

	2017	2016
Interest and dividend	$ 120,445	$ 194,034
Unrealized gain (loss)	966,273	(28,275)
Realized gain (loss)	31,655	(174,056)
TOTAL INVESTMENT INCOME (LOSS)	**$ 1,118,373**	**$ (8,297)**

4. GRANTS RECEIVABLE

As of June 30, 2017 and 2016, contributors to Ipas have made written promises to give totaling $62,443,491 and $68,435,515, respectively.

4. GRANTS RECEIVABLE (Continued)

Grants receivable due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rate of 4.25% and 3.50% at June 30, 2017 and 2016, respectively.

Following is a schedule of maturities of grants receivable at June 30:

	2017	2016
Less than one year	$ 33,930,269	$ 41,630,271
One to five years	28,513,222	26,805,244
Total	62,443,491	68,435,515
Less: Allowance to discount balance to present value	(1,456,269)	(1,511,237)
GRANTS RECEIVABLE	**$ 60,987,222**	**66,924,278**

5. BOARD DESIGNATED NET ASSETS

As of June 30, 2017 and 2016, net assets have been designated by the Board of Directors as a reserve to be used against long-term future needs. Investment income, exclusive of any change in market value, is used to support the general operations of Ipas. As of June 30, 2017, there was an unrealized gain on the board designated reserve investments of $975,320. Such gain is reflected as an increase in the board designated reserve net asset balance as of June 30, 2017.

	2017	2016
Reserve	$ 11,188,089	$ 10,212,769
Laufe Research and Development	157,329	157,329
BOARD DESIGNATED NET ASSETS	**$ 11,345,418**	**$ 10,370,098**

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2017 and 2016:

	2017	2016
Ipas:		
Programs	$ 51,149,139	$ 47,201,529
Time restricted	22,261,365	39,564,076
	73,410,504	86,765,605
IDF:		
Programs	501,430	1,285,745
	$ 73,911,934	**$ 88,051,350**

6. TEMPORARILY RESTRICTED NET ASSETS (Continued)

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

	2017	2016
Ipas:		
Programs	$ 34,675,468	$ 31,919,837
Passage of time	18,784,488	17,303,922
	53,459,956	49,223,759
IDF:		
Programs	919,315	407,292
	$ 54,379,271	$ 49,631,051

7. LEASE COMMITMENTS

Ipas leases administrative offices in the United States and foreign country program office locations under operating leases expiring in various years through 2022. Ipas also leases office equipment under operating leases expiring in various years through 2018.

The following is a schedule of the future minimum lease payments:

Year Ending June 30,	Space	Equipment	Total
2018	$ 1,658,471	$ 1,746	$ 1,660,217
2019	1,316,065	-	1,316,065
2020	1,097,172	-	1,097,172
2021	1,069,026	-	1,069,026
Thereafter	5,559,548	-	5,559,548
	$ 10,700,282	$ 1,746	$10,702,028

Rent expense under these operating leases for the years ended June 30, 2017 and 2016 was $1,637,511 and $1,657,141, respectively.

8. RETIREMENT PLAN

Ipas has established a 401(k) retirement plan for each eligible employee. Employer contributions to the plan during the years ended June 30, 2017 and 2016 totaled approximately $447,000 and $434,000, respectively.

Ipas has also established a non-qualified retirement plan for eligible employees working overseas who are not United States citizens or resident aliens. Employer contributions under the plan during the years ended June 30, 2017 and 2016 totaled approximately $176,000 and $208,000, respectively.

9. CONCENTRATION OF REVENUE

Approximately 55% of Ipas' revenue for the years ended June 30, 2017 and 2016, was derived from contributions and grants awarded by four and two organizations, respectively. Ipas has no reason to believe that relationships with these organizations will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect Ipas's ability to finance ongoing operations.

10. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, Ipas has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Consolidated Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market Ipas has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2017 and 2016.

- *Mutual funds* - The fair value is equal to the closing price reported on the active market, which is the price at which additional shares can be obtained.

- *Common stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.

- *U.S. Government agencies notes and bonds* - Generally valued at original cost plus accrued interest, which approximates fair value.

- *Certificates of deposit* - The fair value is equal to the reported net asset value of the fund.

- *Corporate bonds* - The fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.

10. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes, by level within the fair value hierarchy, Ipas' investments as of June 30, 2017:

	Level 1	Level 2	Level 3	Total June 30, 2017
Asset Class:				
Mutual funds	$ 7,605,796	$ -	$ -	$ 7,605,796
Common stocks	969,738	-	-	969,738
U.S. Government agencies notes and bonds	-	1,760,313	-	1,760,313
Certificates of deposit	-	461,556	-	461,556
Corporate bonds	-	779,762	-	779,762
TOTAL	**$ 8,575,534**	**$ 3,001,631**	**$ -**	**$ 11,577,165**

The table below summarizes, by level within the fair value hierarchy, Ipas' investments as of June 30, 2016:

	Level 1	Level 2	Level 3	Total June 30, 2016
Asset Class:				
Mutual funds	$ 3,701,776	$ -	$ -	$ 3,701,776
Common stocks	4,162,739	-	-	4,162,739
U.S. Government agencies notes and bonds	-	1,636,310	-	1,636,310
Certificates of deposit	-	1,118,860	-	1,118,860
Corporate bonds	-	685,639	-	685,639
TOTAL	**$ 7,864,515**	**$ 3,440,809**	**$ -**	**$ 11,305,324**

11. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, Ipas has evaluated events and transactions for potential recognition or disclosure through November 27, 2017, the date the consolidated financial statements were issued.

SUPPLEMENTAL INFORMATION

IPAS

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF JUNE 30, 2017

ASSETS

	IPAS	WCG, LLC	Elimination	Consolidated
CURRENT ASSETS				
Cash and cash equivalents	$ 21,904,499	$ 7,724	$ -	$ 21,912,223
Investments	11,577,165	-	-	11,577,165
Accounts receivable	483,391	-	-	483,391
Grants receivable	33,930,269	-	-	33,930,269
Contracts receivable	1,745,225	-	-	1,745,225
Due from related parties	-	3,264,100	(3,264,100)	-
Prepaid expenses	790,861	-	-	790,861
Total current assets	70,431,410	3,271,824	(3,264,100)	70,439,134
FIXED ASSETS				
Equipment and leasehold improvements	4,503,579	-	-	4,503,579
Less: Accumulated depreciation and amortization	(3,587,503)	-	-	(3,587,503)
Net fixed assets	916,076	-	-	916,076
OTHER ASSETS				
Grants receivable, non-current portion	27,056,953	-	-	27,056,953
TOTAL ASSETS	**$ 98,404,439**	**$ 3,271,824**	**$ (3,264,100)**	**$ 98,412,163**

LIABILITIES AND NET ASSETS

	IPAS	WCG, LLC	Elimination	Consolidated
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$ 2,585,270	$ -	$ -	$ 2,585,270
Accrued salaries and related benefits	4,491,978	-	-	4,491,978
Due to related parties	3,264,100	-	(3,264,100)	-
Total current liabilities	10,341,348	-	(3,264,100)	7,077,248
NET ASSETS				
Unrestricted:				
Undesignated	2,805,739	3,271,824	-	6,077,563
Board designated:				
Reserve	11,188,089	-	-	11,188,089
Laufe Research and Development	157,329	-	-	157,329
Total unrestricted	14,151,157	3,271,824	-	17,422,981
Temporarily restricted:				
Ipas	73,410,504	-	-	73,410,504
IDF directly funded programs	501,430	-	-	501,430
Total temporarily restricted	73,911,934	-	-	73,911,934
Total net assets	88,063,091	3,271,824	-	91,334,915
TOTAL LIABILITIES AND NET ASSETS	**$ 98,404,439**	**$ 3,271,824**	**$ (3,264,100)**	**$ 98,412,163**

IPAS

CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017

	UNRESTRICTED				RESTRICTED	
	IPAS	WCG, LLC	Elimination	Total	IPAS	Consolidated
REVENUE AND SUPPORT						
Contributions and grants	$ 1,154,398	$ -	$ -	$ 1,154,398	$ 40,104,855	$ 41,259,253
Contracts	6,526,389	-	-	6,526,389	-	6,526,389
Investment income	1,117,190	1,183	-	1,118,373	-	1,118,373
Other revenue	151,306	-	-	151,306	-	151,306
Net assets released from donor restrictions	53,459,956	-	-	53,459,956	(53,459,956)	-
Total revenue and support	62,409,239	1,183	-	62,410,422	(13,355,101)	49,055,321
EXPENSES						
Program Services:						
Africa	18,061,990	-	-	18,061,990	-	18,061,990
Asia	11,371,369	-	-	11,371,369	-	11,371,369
Latin America	6,850,451	-	-	6,850,451	-	6,850,451
Global	12,786,128	-	-	12,786,128	-	12,786,128
Total program services	49,069,938	-	-	49,069,938	-	49,069,938
Supporting Services:						
Operations	11,935,745	-	-	11,935,745	-	11,935,745
Development	2,251,999	75	-	2,252,074	-	2,252,074
Total supporting services	14,187,744	75	-	14,187,819	-	14,187,819
Total expenses	63,257,682	75	-	63,257,757	-	63,257,757
Change in net assets before other items	(848,443)	1,108	-	(847,335)	(13,355,101)	(14,202,436)
OTHER ITEMS						
IDF directly funded contributions and grants	-	-	-	-	135,000	135,000
IDF directly funded net assets released from restrictions	919,315	-	-	919,315	(919,315)	-
Foreign currency gain	399,231	-	-	399,231	-	399,231
Change in net assets	470,103	1,108	-	471,211	(14,139,416)	(13,668,205)
Net assets at beginning of year	13,681,054	3,270,716	-	16,951,770	88,051,350	105,003,120
NET ASSETS AT END OF YEAR	**$ 14,151,157**	**$ 3,271,824**	**$ -**	**$ 17,422,981**	**$ 73,911,934**	**$ 91,334,915**

IPAS

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF JUNE 30, 2016

ASSETS

	IPAS	WCG, LLC	Elimination	Consolidated
CURRENT ASSETS				
Cash and cash equivalents	$ 24,685,672	$ 2,081,616	$ -	$ 26,767,288
Investments	11,305,324	-	-	11,305,324
Accounts receivable	787,160	-	-	787,160
Grants receivable	41,630,271	-	-	41,630,271
Contracts receivable	3,857,455	-	-	3,857,455
Due from related parties	-	1,189,100	(1,189,100)	-
Prepaid expenses	846,602	-	-	846,602
Total current assets	83,112,484	3,270,716	(1,189,100)	85,194,100
FIXED ASSETS				
Equipment and leasehold improvements	4,299,482	-	-	4,299,482
Less: Accumulated depreciation and amortization	(3,664,871)	-	-	(3,664,871)
Net fixed assets	634,611	-	-	634,611
OTHER ASSETS				
Grants receivable, non-current portion	25,294,007	-	-	25,294,007
TOTAL ASSETS	**$ 109,041,102**	**$ 3,270,716**	**$ (1,189,100)**	**$ 111,122,718**

LIABILITIES AND NET ASSETS

	IPAS	WCG, LLC	Elimination	Consolidated
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$ 1,860,368	$ -	$ -	$ 1,860,368
Accrued salaries and related benefits	4,259,230	-	-	4,259,230
Due to related parties	1,189,100	-	(1,189,100)	-
Total current liabilities	7,308,698	-	(1,189,100)	6,119,598
NET ASSETS				
Unrestricted:				
Undesignated	3,310,956	3,270,716	-	6,581,672
Board designated:				
Reserve	10,212,769	-	-	10,212,769
Laufe Research and Development	157,329	-	-	157,329
Total unrestricted	13,681,054	3,270,716	-	16,951,770
Temporarily restricted:				
Ipas	86,765,605	-	-	86,765,605
IDF directly funded programs	1,285,745	-	-	1,285,745
Total temporarily restricted	88,051,350	-	-	88,051,350
Total net assets	101,732,404	3,270,716	-	105,003,120
TOTAL LIABILITIES AND NET ASSETS	**$ 109,041,102**	**$ 3,270,716**	**$ (1,189,100)**	**$ 111,122,718**

IPAS

CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2016

	UNRESTRICTED				RESTRICTED	
	IPAS	WCG, LLC	Elimination	Total	IPAS	Consolidated
REVENUE AND SUPPORT						
Contributions and grants	$ 1,081,144	$ -	$ -	$ 1,081,144	$ 58,249,503	$ 59,330,647
Contracts	8,902,312	-	-	8,902,312	-	8,902,312
Investment (loss) income	(10,682)	2,385	-	(8,297)	-	(8,297)
Other revenue	1,361,579	-	-	1,361,579	-	1,361,579
Net assets released from donor restrictions	49,223,759	-	-	49,223,759	(49,223,759)	-
Total revenue and support	60,558,112	2,385	-	60,560,497	9,025,744	69,586,241
EXPENSES						
Program Services:						
Africa	20,317,095	-	-	20,317,095	-	5,394,015
Asia	9,830,928	-	-	9,830,928	-	20,317,095
Latin America	5,394,015	-	-	5,394,015	-	9,830,928
Global	11,828,504	-	-	11,828,504	-	11,828,504
Total program services	47,370,542	-	-	47,370,542	-	47,370,542
Supporting Services:						
Operations	11,013,035	-	-	11,013,035	-	11,013,035
Development	2,063,707	-	-	2,063,707	-	2,063,707
Total supporting services	13,076,742	-	-	13,076,742	-	13,076,742
Total expenses	60,447,284	-	-	60,447,284	-	60,447,284
Change in net assets before other items	110,828	2,385	-	113,213	9,025,744	9,138,957
OTHER ITEMS						
IDF directly funded contributions and grants	-	-	-	-	36,000	36,000
IDF directly funded net assets released from restrictions	407,292	-	-	407,292	(407,292)	-
Foreign currency loss	(1,019,889)	-	-	(1,019,889)	-	(1,019,889)
Change in net assets	(501,769)	2,385	-	(499,384)	8,654,452	8,155,068
Net assets at beginning of year	14,182,823	3,268,331	-	17,451,154	79,396,898	96,848,052
NET ASSETS AT END OF YEAR	**$ 13,681,054**	**$ 3,270,716**	**$ -**	**$ 16,951,770**	**$ 88,051,350**	**$ 105,003,120**