The National Campaign
to Prevent Teen and Unplanned Pregnancy

Financial Statements

For the Year Ended December 31, 2016
(With Summarized Financial Information for the Year Ended December 31, 2015)

and
Report Thereon

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The National Campaign to Prevent
Teen and Unplanned Pregnancy

We have audited the accompanying financial statements of The National Campaign to Prevent Teen and Unplanned Pregnancy (the Campaign), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The National Campaign to Prevent Teen and Unplanned Pregnancy as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Continued

Report on Summarized Comparative Information

We have previously audited the Campaign's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 29, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Raffa, P.C.

Raffa, P.C.

Washington, DC
March 29, 2017

THE NATIONAL CAMPAIGN TO PREVENT TEEN AND UNPLANNED PREGNANCY

STATEMENT OF FINANCIAL POSITION
December 31, 2016
(With Summarized Financial Information as of December 31, 2015)

	2016	2015
ASSETS		
Cash and cash equivalents	$ 6,829,894	$ 4,147,277
Grants and contracts receivable	2,727,788	6,658,494
Contributions receivable	13,136	37,000
Accounts receivable	91,138	14,926
Prepaid expenses and deposits	67,987	99,880
Inventory	70,588	95,687
Investments	21,731,720	22,067,834
Property and equipment, net	296,947	280,852
TOTAL ASSETS	$ 31,829,198	$ 33,401,950
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 602,761	$ 486,215
Accrued payroll and benefits	256,465	267,018
Grants payable	13,750	62,500
Obligations under capital leases	79,927	45,325
Deferred rent and lease incentive	282,098	99,805
TOTAL LIABILITIES	1,235,001	960,863
Net Assets		
Unrestricted	23,201,401	24,124,398
Temporarily restricted	7,392,796	8,316,689
TOTAL NET ASSETS	30,594,197	32,441,087
TOTAL LIABILITIES AND NET ASSETS	$ 31,829,198	$ 33,401,950

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

THE NATIONAL CAMPAIGN TO PREVENT TEEN AND UNPLANNED PREGNANCY

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016
(With Summarized Financial Information for the Year Ended December 31, 2015)

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
OPERATING REVENUE AND SUPPORT				
Grants and contracts	$ 4,267,651	$ 3,434,373	$ 7,702,024	$ 3,492,065
Contributions	445,749	-	445,749	119,055
Publications and materials	194,215	-	194,215	73,611
Donated goods and services	91,289	-	91,289	4,137,973
Other	46,710	-	46,710	10,829
Net assets released from restrictions:				
Satisfaction of purpose restrictions	4,338,266	(4,338,266)	-	-
Satisfaction of time restrictions	20,000	(20,000)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	9,403,880	(923,893)	8,479,987	7,833,533
OPERATING EXPENSES				
Program Services:				
Media	3,550,753	-	3,550,753	8,001,465
Communications	1,835,786	-	1,835,786	1,237,687
Partnerships and special initiatives	1,796,427	-	1,796,427	713,399
Systems and practices	711,807	-	711,807	928,640
Public policy	696,126	-	696,126	643,490
Health equity	481,228	-	481,228	685,125
Leadership and planning	460,560	-	460,560	606,916
Research	444,480	-	444,480	344,578
Total Program Services	9,977,167	-	9,977,167	13,161,300
Supporting Services:				
General and administrative	557,125	-	557,125	1,201,528
Development and fundraising	630,088	-	630,088	248,484
TOTAL OPERATING EXPENSES	11,164,380	-	11,164,380	14,611,312
Change in net assets from operations	(1,760,500)	(923,893)	(2,684,393)	(6,777,779)
NONOPERATING ACTIVITIES				
Loss on uncollectible pledge	-	-	-	(75,000)
Investment income (loss)	837,503	-	837,503	(5,422)
TOTAL NONOPERATING ACTIVITIES	837,503	-	837,503	(80,422)
CHANGE IN NET ASSETS	(922,997)	(923,893)	(1,846,890)	(6,858,201)
NET ASSETS, BEGINNING OF YEAR	24,124,398	8,316,689	32,441,087	39,299,288
NET ASSETS, END OF YEAR	$ 23,201,401	$ 7,392,796	$ 30,594,197	$ 32,441,087

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

THE NATIONAL CAMPAIGN TO PREVENT
TEEN AND UNPLANNED PREGNANCY

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016
(With Summarized Financial Information for the Year Ended December 31, 2015)

	Program Services									Supporting Services			
	Media	Communications	Partnerships and Special Initiatives	Systems and Practices	Public Policy	Health Equity	Leadership and Planning	Research	Total Program Services	General and Administrative	Development and Fundraising	2016 Total	2015 Total
Salaries and wages	$ 727,491	$ 435,230	$ 156,515	$ 250,323	$ 260,367	$ 104,607	$ 229,138	$ 186,893	$ 2,350,564	$ 499,034	$ 322,439	$ 3,172,037	$ 3,094,029
Consultants and contract services	459,628	441,961	315,029	81,057	216,382	254,720	100	27,500	1,796,377	15,412	-	1,811,789	1,722,606
Fringe benefits	284,179	168,660	61,119	99,349	101,234	40,248	88,727	72,458	915,974	191,564	124,580	1,232,118	1,208,327
Advertising and marketing	601,730	332,147	-	3,309	260	-	250	-	937,696	4,143	2,327	944,166	1,191,300
Grants	-	-	900,000	4,000	-	-	-	-	904,000	-	-	904,000	180,000
Website maintenance	771,605	9,526	5,468	7,323	11,340	2,543	13,025	7,614	828,444	24,472	15,707	868,623	975,274
Rent and storage	173,378	28,062	13,157	32,729	63,184	11,718	55,606	27,048	404,882	123,486	78,248	606,616	592,874
Publications, copying and materials	96,391	177,785	107	19,785	463	2,545	521	243	297,840	7,313	2,708	307,861	152,363
Staff travel	87,783	22,235	37,117	51,011	5,713	8,870	20,762	-	233,491	3,901	37,238	274,630	228,438
Survey and evaluation services	45,239	45,997	26,462	35,883	-	-	-	48,240	201,821	-	2,650	204,471	232,196
Conference and meeting expenses	57,345	11,743	15,158	46,072	1,098	97	11,763	17,141	160,417	9,769	2,440	172,626	182,710
Depreciation and amortization	121,479	1,936	1,023	3,015	4,504	1,023	5,404	2,385	140,769	10,997	6,352	158,118	292,385
Office supplies and miscellaneous	10,500	4,863	2,966	7,804	19,930	1,907	8,752	1,809	58,531	29,303	9,722	97,556	97,964
Computer supplies and maintenance	25,143	3,224	1,587	4,912	7,315	1,666	990	7,089	51,926	16,123	11,889	79,938	68,849
Insurance	-	-	-	-	-	-	-	-	-	72,643	-	72,643	72,398
Accounting, audit and legal services	2,695	-	-	-	-	-	-	-	2,695	53,580	7,200	63,475	57,623
Donated goods and services	49,495	3,500	-	-	-	-	-	-	52,995	38,294	-	91,289	4,137,973
Telephone and fax	10,399	7,512	1,697	2,580	3,786	902	3,748	2,987	33,611	8,734	5,003	47,348	46,139
Board and advisory group meetings	500	-	-	264	-	-	20,284	8,480	29,528	-	-	29,528	36,651
Postage and shipping	6,398	3,367	716	4,995	550	4,913	1,490	352	22,781	1,182	1,585	25,548	31,786
Indirect cost recovery	19,375	138,038	258,306	57,396	-	45,469	-	34,241	552,825	(552,825)	-	-	-
Loss on disposal of software costs	-	-	-	-	-	-	-	-	-	-	-	-	9,427
TOTAL OPERATING EXPENSES	$ 3,550,753	$ 1,835,786	$ 1,796,427	$ 711,807	$ 696,126	$ 481,228	$ 460,560	$ 444,480	$ 9,977,167	$ 557,125	$ 630,088	$ 11,164,380	$ 14,611,312

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

THE NATIONAL CAMPAIGN TO PREVENT
TEEN AND UNPLANNED PREGNANCY

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016
(With Summarized Financial Information for the Year Ended December 31, 2015)
Increase (Decrease) in Cash and Cash Equivalents

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (1,846,890)	$ (6,858,201)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	158,118	292,385
Net realized and unrealized loss (gain) on investments	(355,984)	446,123
Loss on uncollectible pledge	-	75,000
Loss on disposal of software costs	-	9,427
Changes in assets and liabilities:		
Grants and contracts receivable	3,930,706	8,084,538
Contributions receivable	23,864	(17,700)
Accounts receivable	(76,212)	(8,046)
Prepaid expenses and deposits	31,893	54,873
Inventory	25,099	(62,287)
Accounts payable and accrued expenses	116,546	(58,830)
Accrued payroll and benefits	(10,553)	30,763
Grants payable	(48,750)	(69,628)
Deferred rent and lease incentive liability	182,293	(468)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,130,130	1,917,949
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	4,667,368	2,575,947
Purchases of investments	(3,975,271)	(3,504,768)
Purchases of property and equipment	(118,326)	(193,726)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	573,771	(1,122,547)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital leases	(21,284)	(22,806)
NET CASH USED IN FINANCING ACTIVITIES	(21,284)	(22,806)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,682,617	772,596
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,147,277	3,374,681
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 6,829,894	$ 4,147,277
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 1,035	$ 2,934
NONCASH TRANSACTIONS		
Noncash investing activities:		
Equipment purchased under a capital lease	$ 55,889	$ -
Obligation incurred under a capital lease	(55,889)	-
NET CASH OUTLAY	$ -	$ -

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

1. Organization and Summary of Significant Accounting Policies

Organization

The National Campaign to Prevent Teen and Unplanned Pregnancy (the Campaign), founded in February 1996, is a nonprofit, nonpartisan organization. Its mission is to improve the lives and future prospects of children and families and to help ensure that children are born into stable, two-parent families who are committed to and ready for the demanding task of raising the next generation. The Campaign's initial goal was to reduce the teen pregnancy rate by one-third between 1996 and 2005. In 2005, the Campaign set a new challenge to reduce teen pregnancy by an additional one-third by 2015. In 2012, the Campaign set a new challenge for 2020: a 20% reduction in the proportion of unplanned pregnancies among women under 30, and a 20% reduction in the teen pregnancy rate. In 2016, the Campaign set new 2026 goals to reduce the rate of teen pregnancy by 50%, reduce the rate of unplanned pregnancy among women age 18-29 by 25%, and reduce the disparities that exist in teen pregnancy and unplanned pregnancy rates among racial/ethnic and socioeconomic groups by 50%.

High rates of teen and unplanned pregnancy burden not only teens and young adults, but also their children, families and communities, while imposing large costs on taxpayers. To reduce both teen pregnancy and unplanned pregnancy (especially among single, young adults), the Campaign provides a national presence and leadership to raise awareness of the issue and to attract new voices and resources to the cause. It provides concrete assistance to those already working in the field. The Campaign also tries to ease the many disagreements that have plagued both national and local efforts to address these problems.

In March 2011, the Campaign established Bedsider, LLC, a single-member limited liability company, for the purpose of making a software application available in an online store. Bedsider, LLC will provide an additional outlet for making mission-related applications for the Campaign, such as games or social media tools, available to the public by downloading them from an online store. There was no financial activity for Bedsider, LLC for the year ended December 31, 2016, except for certain annual corporation filing fees which are reported in the financial statements of the Campaign.

Basis of Presentation

The financial statements of the Campaign have been prepared on the accrual basis of accounting. Under accounting principles generally accepted in the United States of America (GAAP), the Campaign is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. There were no permanently restricted net assets as of December 31, 2016.

Cash and Cash Equivalents

The Campaign considers all short-term, highly liquid investments with purchased maturities of three months or less to be cash equivalents. However, money market funds included in the investment portfolio are excluded from cash and cash equivalents.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Inventory

Inventory consists of published reports, monographs and paraphernalia to promote teen and unplanned pregnancy prevention projects, and other products to be used primarily in the Campaign's programs. Inventory is stated at the lower of cost or market value and is calculated using the first-in, first-out method of accounting. Management periodically adjusts the value for slow-moving or obsolete inventory.

Investments

Investments consist of mutual funds, exchange-traded funds and money market funds. These investments are recorded in the accompanying financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability through an orderly transaction between market participants at the measurement date. Realized gains or losses on sales of investments are recorded on the trade date of the transactions. Unrealized gains or losses on investments are determined by the change in fair value at the beginning and end of the reporting period. All such gains and losses, interest, and dividends are included in investment income in the statement of activities, net of investment management fees.

Property and Equipment and Accumulated Depreciation and Amortization

Property and equipment are stated at cost and are depreciated using the straight-line method over their estimated useful lives of three to ten years, with no salvage value. Capital leased assets are stated at the net present value of future minimum lease payments and are amortized using the straight-line method over the life of the lease. Leasehold improvements are stated at cost and are amortized using the straight-line method over the remaining life of the lease. The Campaign recognizes costs incurred in the development of its websites and mobile game applications in accordance with the provisions of the accounting standards for software costs. Accordingly, costs incurred for planning and operating the websites and applications are expensed, whereas costs incurred in developing the applications and infrastructure are capitalized and amortized on a straight-line basis over an estimated useful life of three years. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred. When property and equipment or other assets are purchased with temporarily restricted award funds, the related net assets are released from restriction at the time the Campaign incurs the expenditure related to the award.

Upon the retirement or disposal of assets, the cost and accumulated depreciation and amortization are eliminated from the respective accounts and the resulting gain or loss is included in revenue or expenses. For purposes of calculating the indirect cost rate, any gains resulting from the disposal of assets are recorded as a reduction to total indirect expenses.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, defines fair value and establishes a framework for measuring fair value for those assets and liabilities that are measured at fair value on a recurring basis. In accordance with the *Fair Value Measurement* Topic, the Campaign has categorized its applicable financial instruments into a required 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). As of and for the year ended December 31, 2016, only the Campaign's investments, as described in Note 3 to these financial statements, were measured at fair value on a recurring basis and are subject to the *Fair Value Measurement* Topic. The fair value for all of the Campaign's investments are based upon quoted prices for identical assets in an active market that the Campaign has the ability to access (Level 1).

Classification of Net Assets

The Campaign's net assets are reported as follows:

- Unrestricted operating net assets represent the portion of expendable funds that are available to support the Campaign's operations.
- Unrestricted board-designated net assets represent a reserve fund established with publications revenue, unrestricted contributions and contributions from the Campaign's tenth anniversary event, which continues to earn dividend and interest income.
- Temporarily restricted net assets represent amounts specifically restricted by donors or grantors for various programs or future periods.

Revenue Recognition

Contributions and grants are reported as revenue in the year in which payments are received and/or unconditional promises are made. The Campaign reports gifts of cash and other assets as temporarily restricted if they are received with donor stipulations that limit the use of the donated asset. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions. When donor-imposed restrictions on gifts of cash or other assets are met in the same reporting period in which the contribution is received, the contribution is reported as unrestricted support. Contributions of cash or other assets restricted to acquisition of long-lived assets are recorded as temporarily restricted contributions. Once the long-lived assets are acquired and if there are no donor restrictions on the long-lived assets' use, the donor restrictions are considered met and the temporarily restricted net assets are released and reclassified to unrestricted net assets.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

The Campaign receives cooperative grant awards and contracts from federal government agencies in exchange for services. Revenue from the grants and contracts is recognized as costs are incurred on the basis of direct costs plus allowable indirect costs. Revenue recognized on grants and contracts for which payments have not been received is reflected as grants and contracts receivable in the accompanying statement of financial position.

Contributions that are expected to be collected within one year are recorded at net realizable value. Contributions that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. As of December 31, 2016, no discount to present value was recorded due to the immateriality of the discount.

Donated Goods and Services

Donated goods and services represent the value of donated advertising, legal assistance, facilities and supplies. Donations are recorded based on their fair value at the date of donation and are included in the media and communications programs and in general and administrative expenses in the accompanying statement of activities.

Donated Securities

Donated securities that have no internally imposed limitation for sale or donor restriction on the use for long-term purposes, and that are nearly immediately converted into cash, are recognized as cash provided by operating activities in the accompanying statement of cash flows.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Direct costs associated with specific programs are recorded as program services. Certain unallocated general and administrative expenses are allocated to specific programs based on a percentage of salaries.

Definition of Operations

Operating revenue and expenses generally reflect those revenues and expenses that arise from the Campaign's activities and excludes net investment income (losses) and losses from uncollectible pledges.

Estimates

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

Continued

2. Grants and Contracts Receivable

As of December 31, 2016, receivables for grants, cooperative awards and contracts from foundations, government agencies and corporate contributors to be used for particular programs and/or general support in the coming years totaled $2,727,788. All amounts were expected to be fully collectible.

The Campaign's grants and contracts receivable were due as follows:

Due in less than one year	$ 2,477,788
Due in one to five years	250,000
Total Grants and Contracts Receivable	$ 2,727,788

3. Investments

As of December 31, 2016, the Campaign had valued all of its investments using quoted prices in active markets for identical assets (Level 1, as described in Note 1 to these financial statements). As of December 31, 2016, the Campaign's investments consisted of the following:

	Cost	Fair Value
Fixed-income mutual funds:		
Intermediate-term bond funds	$ 11,870,185	$ 11,614,098
World bond funds	1,584,711	1,456,717
Nontraditional bond funds	2,065,244	1,982,207
Total Fixed-Income Mutual Funds	15,520,140	15,053,022
Fixed-income exchange-traded funds:		
Short-term bond funds	4,052,078	4,041,984
Equity exchange-traded funds:		
Foreign large blend funds	330,362	330,114
Mid-cap value funds	222,920	252,208
Mid-cap growth funds	273,975	287,845
Large growth funds	492,373	524,067
Large value funds	482,095	562,617
Small blend funds	324,135	372,952
Total Equity Exchange-Traded Funds	2,125,860	2,329,803
Money market funds	306,911	306,911
Total Investments	$ 22,004,989	$ 21,731,720

3. Investments (continued)

Investment returns are summarized as follows for the year ended December 31, 2016:

Interest and dividend income	$ 540,382
Net realized loss on investments	(56,028)
Net unrealized gains on investments	412,012
Investment management fees	(58,863)
Total Investment Income	$ 837,503

4. Property and Equipment

The Campaign held the following property and equipment as of December 31, 2016:

Website and application development costs	$ 2,764,092
Leasehold improvements	485,285
Computer equipment	295,617
Furniture and equipment	198,054
Leased equipment	109,232
Total Property and Equipment	3,852,280
Less: Accumulated Depreciation and Amortization	(3,555,333)
Property and Equipment, Net	$ 296,947

Depreciation and amortization expense was $158,118 for the year ended December 31, 2016.

5. Loan and Line of Credit

On July 27, 2016, the Campaign entered into a loan and line of credit agreement with a financial institution to borrow up to $2,500,000 that expires on July 29, 2017. Amounts drawn on the agreement accrue interest based on the London Interbank Offered Rate (LIBOR) plus 2% and are required to be paid each month. The loan is secured by a pledge agreement which grants the financial institution a security interest in the Campaign's investment account held at the financial institution, and requires the Campaign to comply with certain nonfinancial covenants. During the year ended December 31, 2016, the Campaign had no borrowings and no repayments on the loan and line of credit, and as of December 31, 2016, was in compliance with the covenants.

Continued

6. Commitments, Contingencies and Risks

Capital Leases

The Campaign leases office equipment under leases that meet the criteria for capitalization. The leases expire in 2019 and 2021. During the year, the Campaign retired leased equipment with a cost of $62,910 and replaced it with new equipment. The leased equipment is included in property and equipment at a cost of $109,232, with accumulated amortization of $33,277 as of December 31, 2016.

The future minimum lease payments required for these capital leases were as follows at December 31, 2016:

For the Year Ending December 31,	
2017	$ 23,160
2018	23,160
2019	19,297
2020	11,580
2021	3,859
Subtotal	81,056
Less: Amount Representing Interest	(1,129)
Present Value of Net Minimum Lease Payments	$ 79,927

Office Leases

The Campaign has a noncancelable operating lease which expires on May 31, 2023, for its main office located in Washington, DC. The lease provides certain rent abatements to be applied against monthly rent payments during calendar years 2016 and 2017, as well as a tenant improvement allowance of $424,490 that may be used either for the payment of costs incurred to cover certain construction and furniture and equipment costs related to the premises or as a credit against monthly rent obligations in calendar years 2018 and 2019. In each case, half of the total amount of the abatement and improvement allowance or credit individually will be applied during each year indicated. The lease also contains a fixed escalation clause for increases in the annual minimum rent as well as the Campaign's proportionate share of real estate taxes and operating and maintenance costs of the building.

Under GAAP, all lease incentives and fixed rent increases are recognized on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent and lease incentive liability in the accompanying statement of financial position.

Continued

6. Commitments, Contingencies and Risks (continued)

Future minimum office rental payments under the lease agreement were as follows:

For the Year Ending December 31,	
2017	$ 429,275
2018	642,628
2019	658,694
2020	675,161
2021	692,040
Thereafter	1,010,407
Total	$ 4,108,205

Rent and storage expense was $606,616 for the year ended December 31, 2016.

Concentration of Risk

During the year ended December 31, 2016, the Campaign received $4,081,275 in grants from four major grantors. The grants represented 48% of the total operating revenue and support recognized by the Campaign for the year ended December 31, 2016. If a significant reduction in funding from these grantors was to occur, it might adversely impact the Campaign's financial position and ability to carry out its program activities.

The Campaign maintains its cash and cash equivalents with a commercial financial institution, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of $250,000 per depositor per institution. As of December 31, 2016, the Campaign had $6,808,097 composed of demand deposits and money market funds, which exceeded the maximum insured by the FDIC by $6,558,097. The Campaign monitors the creditworthiness of this institution and has not experienced any credit losses on its cash and cash equivalents.

Office of Management and Budget Uniform Guidance

The Campaign has instructed its independent auditors to audit its applicable federal programs for the year ended December 31, 2016, in compliance with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), issued by the U.S. Office of Management and Budget (OMB). Until such audit is reviewed and accepted by the contracting or granting agencies, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management believes that any matters arising from the reviews by the federal or state agencies of the independent auditor's reports for the year ended December 31, 2016, will not have a material effect on the Campaign's financial position as of December 31, 2016, or its results of operations for the year then ended.

Continued

6. Commitments, Contingencies and Risks (continued)

Provisional Indirect Cost Rates

Billings under cost-reimbursable government cooperative awards, grants and contracts are calculated using provisional negotiated rates that permit recovery of indirect costs. These rates are subject to audit by the Division of Cost Allocation Services of the U.S. Department of Health and Human Services (HHS) six months after the expiration of the negotiated rate agreement. The audit results in the negotiation and determination of the final indirect cost rates, which may create a liability for indirect cost recovery for amounts billed in excess of the actual rates, or may allow for additional billings for unbilled indirect costs.

HHS audits costs related to U.S. government cooperative awards, grants and contracts in accordance with the Uniform Guidance, issued by OMB. The Division of Cost Allocation Services of HHS has yet to audit the costs and indirect cost rates for the year ended December 31, 2016. Management believes that cost disallowances, if any, arising from the Division of Cost Allocation of HHS's audits for 2016 will not have a material effect on the Campaign's financial position as of December 31, 2016, or the results of operations for the year then ended.

7. Net Assets

Net assets consisted of the following as of December 31, 2016:

Unrestricted Net Assets

Undesignated – operating	$ 21,169,769
Board-designated – reserve fund	2,031,632
Total Unrestricted Net Assets	$ 23,201,401

The reserve fund balance is included in the investments in the accompanying statement of financial position and is invested in accordance with the Campaign's investment policy.

Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes or time periods as of December 31, 2016:

Programs:	
Media	$ 4,034,172
Communications	929,535
Systems and practices	871,173
Research	287,916
Total Programs	6,122,796

7. Net Assets (continued)

Temporarily Restricted Net Assets (continued)

Operations:	
Time-restricted as of December 31, 2016	$ 1,270,000
Total Temporarily Restricted Net Assets	$ 7,392,796

For the year ended December 31, 2016, net assets released from restrictions were as follows:

Programs:	
Media	$ 3,248,147
Communications	780,264
Systems and practices	198,877
Research	79,020
Health equity	31,958
Total Programs	4,338,266
Lapse of Time Restrictions	20,000
Total Temporarily Restricted Net Assets Released from Restrictions	$ 4,358,266

8. Pension Plan

The Campaign sponsors a defined-contribution pension plan pursuant to Section 403(b) of the Internal Revenue Code (the IRC), which covers eligible employees with a minimum of twelve months of service. The Campaign contributes 6% of an eligible employee's compensation to this plan up to the maximum permitted by law, and employees are fully vested at the time of contribution. The Campaign's contributions totaled $182,329 for the year ended December 31, 2016.

The Campaign also maintains a tax-deferred annuity retirement plan pursuant to Section 403(b) of the IRC, which is available to all eligible employees. Under the 403(b) plan, eligible employees may elect to contribute up to the federal tax limitation. The Campaign does not contribute to this plan.

9. Income Taxes

The Campaign is exempt from payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the IRC. No provision for income taxes is required for the year ended December 31, 2016, as the Campaign had no net unrelated business income.

Continued

9. Income Taxes (continued)

The Campaign performed an evaluation for uncertainty in income taxes for the year ended December 31, 2016, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2016, the statute of limitations for tax years 2013 through 2015 remains open for the U.S. federal jurisdiction and the District of Columbia, the jurisdictions in which the Campaign files tax returns. It is the Campaign's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax expense. As of December 31, 2016, the Campaign had no accruals for interest and/or penalties.

10. Donated Goods and Services

The Campaign received donated services for legal assistance valued at the equivalent rate charged to other clients, donated supplies, and donated advertising and use of an event venue site reported at fair value. The fair value of these services and goods totaled $38,294, $37,495, and $15,500, respectively, for the year ended December 31, 2016, and is included in donated goods and services expenses under general and administrative services and the media and communications programs in the accompanying statement of functional expenses.

11. Prior Year Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class or functional area. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Campaign's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

12. Reclassifications

Certain balances in the 2015 summarized comparative information have been reclassified to conform to the 2016 presentation.

13. Subsequent Events

In preparing these financial statements, the Campaign has evaluated events and transactions for potential recognition or disclosure through March 29, 2017, the date the financial statements were available to be issued. There were no subsequent events identified through March 29, 2017, that require recognition or disclosure in these financial statements.