

Consolidated Financial Statements
Clinton Health Access Initiative, Inc.
and Subsidiaries

December 31, 2013 and 2012



Mayer Hoffman McCann P.C.
Tofias New England Division
An Independent CPA Firm

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Financial Statements

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Independent Auditors' Report

The Board of Directors
Clinton Health Access Initiative, Inc.
Boston, Massachusetts

We have audited the accompanying consolidated financial statements of Clinton Health Access Initiative, Inc. and Subsidiaries ("CHAI"), which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities, 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 auditors' 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 Clinton Health Access Initiative, Inc. and Subsidiaries as of December 31, 2013 and 2012, 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.

Mayer Heffman McCann P.C.

May 13, 2014
Boston, Massachusetts

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position

	<i>December 31,</i>	
	<i>2013</i>	<i>2012</i>
Assets		
Cash and cash equivalents	\$ 10,524,428	\$ 9,249,360
Assets held by affiliate	-	37,032,812
Assets limited as to use	61,567,255	18,106,977
Due from affiliate	186,773	-
Accounts receivable	787,924	438,460
Contributions receivable	4,944,395	1,967,780
Grants receivable	4,386,828	960,851
Prepaid expenses	638,419	726,215
Property and equipment, net of accumulated depreciation	<u>210,797</u>	<u>355,683</u>
Total assets	\$ <u>83,246,819</u>	\$ <u>68,838,138</u>
Liabilities and Net Assets		
Accounts payable	\$ 3,171,334	\$ 2,592,877
Accrued expenses	2,226,125	2,129,593
Deferred revenue	38,117,809	21,526,701
Assets held for commodities purchases	3,513,037	13,606,258
Due to affiliate	<u>-</u>	<u>3,558,496</u>
Total liabilities	<u>47,028,305</u>	<u>43,413,925</u>
Net assets:		
Unrestricted surplus	83,126	(2,097,229)
Temporarily restricted	<u>36,135,388</u>	<u>27,521,442</u>
Total net assets	<u>36,218,514</u>	<u>25,424,213</u>
Total liabilities and net assets	\$ <u>83,246,819</u>	\$ <u>68,838,138</u>

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Statements of Activities

Years Ended December 31,

	<i>2013</i>			<i>2012</i>
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>	<i>Total</i>
Revenues and support:				
Contributions	\$ 2,873,376	\$ 52,985,190	\$ 55,858,566	\$ 45,408,042
Grants	59,412,347	-	59,412,347	39,040,613
Grant - affiliate	2,000,000	-	2,000,000	4,000,000
In-kind contributions	561,853	-	561,853	743,776
Other	116,188	51,973	168,161	246,592
Net assets released from restrictions	44,423,217	(44,423,217)	-	-
	109,386,981	8,613,946	118,000,927	89,439,023
Expenses:				
Program services	99,133,568	-	99,133,568	68,716,628
Management and general	7,173,500	-	7,173,500	7,965,978
Fundraising	899,558	-	899,558	1,184,776
	107,206,626	-	107,206,626	77,867,382
Increase in net assets	2,180,355	8,613,946	10,794,301	11,571,641
Net assets (deficit), beginning of year	(2,097,229)	27,521,442	25,424,213	13,852,572
Net assets, end of year	\$ 83,126	\$ 36,135,388	\$ 36,218,514	\$ 25,424,213

See accompanying notes to the consolidated financial statements.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Statement of Activities

Year Ended December 31, 2012

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
Revenues and support:			
Contributions	\$ 1,596,184	\$ 43,811,858	\$ 45,408,042
Grants	39,040,613	-	39,040,613
Grant - affiliate	2,000,000	2,000,000	4,000,000
In-kind contributions	743,776	-	743,776
Other	246,592	-	246,592
Net assets released from restrictions	<u>35,564,082</u>	<u>(35,564,082)</u>	<u>-</u>
 Total revenues, gains and other support	 <u>79,191,247</u>	 <u>10,247,776</u>	 <u>89,439,023</u>
 Expenses:			
Program services	68,716,628	-	68,716,628
Management and general	7,965,978	-	7,965,978
Fundraising	<u>1,184,776</u>	<u>-</u>	<u>1,184,776</u>
 Total expenses	 <u>77,867,382</u>	 <u>-</u>	 <u>77,867,382</u>
 Increase in net assets	 1,323,865	 10,247,776	 11,571,641
 Net assets (deficit), beginning of year	 <u>(3,421,094)</u>	 <u>17,273,666</u>	 <u>13,852,572</u>
 Net assets (deficit), end of year	 <u><u>\$ (2,097,229)</u></u>	 <u><u>\$ 27,521,442</u></u>	 <u><u>\$ 25,424,213</u></u>

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Statements of Functional Expenses

Years Ended December 31,

	2013				2012
	<i>Program Services</i>	<i>Management/ General</i>	<i>Fundraising</i>	<i>Total</i>	<i>Total</i>
Salaries and benefits	\$ 43,906,001	\$ 4,451,907	\$ 711,654	\$ 49,069,562	\$ 37,223,521
Direct program expenditures	17,585,254	238	-	17,585,492	11,868,396
Professional and consulting fees	7,139,475	467,033	77,800	7,684,308	3,199,500
Procurement and shipping	1,668,867	(700)	-	1,668,167	2,080,693
Travel	10,156,936	447,399	67,564	10,671,899	8,538,947
Telecom	1,714,443	118,547	24,201	1,857,191	1,624,969
Meetings and trainings	7,374,711	42,362	8,057	7,425,130	5,313,148
Bank and other fees	624,140	101,820	1,270	727,230	530,489
Occupancy costs	1,659,700	286,954	-	1,946,654	1,617,609
Office expenses	3,177,022	351,750	9,012	3,537,784	2,441,208
Capital charges	3,962,232	-	-	3,962,232	2,179,976
Depreciation	18,011	221,509	-	239,520	342,989
In-kind expenses	-	715,293	-	715,293	897,216
Other expenses	146,776	(30,612)	-	116,164	8,721
Total	\$ 99,133,568	\$ 7,173,500	\$ 899,558	\$ 107,206,626	\$ 77,867,382

See accompanying notes to the consolidated financial statements.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

Year Ended December 31, 2012

	<i>Program Services</i>	<i>Management/ General</i>	<i>Fundraising</i>	<i>Total</i>
Salaries and benefits	\$ 31,811,053	\$ 4,415,042	\$ 997,426	\$ 37,223,521
Direct program expenditures	11,868,396	-	-	11,868,396
Professional and consulting fees	2,425,415	714,585	59,500	3,199,500
Procurement and shipping	2,080,693	-	-	2,080,693
Travel	7,872,109	574,447	92,391	8,538,947
Telecom	1,410,706	197,354	16,909	1,624,969
Meetings and trainings	5,202,847	100,930	9,371	5,313,148
Bank and other fees	208,193	321,066	1,230	530,489
Occupancy costs	1,378,167	239,442	-	1,617,609
Office expenses	2,267,517	165,742	7,949	2,441,208
Capital charges	2,179,976	-	-	2,179,976
Depreciation	11,556	331,433	-	342,989
In-kind expenses	-	897,216	-	897,216
Other expenses	-	8,721	-	8,721
	<hr/>	<hr/>	<hr/>	<hr/>
Total	\$ 68,716,628	\$ 7,965,978	\$ 1,184,776	\$ 77,867,382
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CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	<i>Years Ended December 31,</i>	
	<i>2013</i>	<i>2012</i>
Cash flows from operating activities:		
Increase in net assets	\$ 10,794,301	\$ 11,571,641
Adjustments to reconcile net assets provided by operating activities:		
Depreciation	239,520	342,989
Gain on sale of fixed assets	(34,260)	(1,118)
Changes in:		
Assets held by affiliate	37,032,812	(25,184,892)
Assets limited as to use	(43,460,278)	8,784,807
Due from affiliate	(227,053)	-
Accounts receivable	(349,464)	115,723
Contributions receivable	(2,976,615)	2,160,130
Grants receivable	(3,425,977)	1,876,534
Prepaid expenses	87,796	(410,318)
Accounts payable	578,457	166,101
Accrued expenses	96,532	36,076
Deferred revenue	16,591,108	14,885,277
Assets held for commodities purchases	(10,093,221)	(9,926,744)
Due to affiliate	(3,518,216)	(257,059)
	<u>1,335,442</u>	<u>4,159,147</u>
Net cash provided by operating activities	1,335,442	4,159,147
Cash flows from investing activities:		
Proceeds from sales of assets	45,650	7,132
Purchase of property and equipment	(106,024)	(40,096)
	<u>(60,374)</u>	<u>(32,964)</u>
Net cash used in investing activities	(60,374)	(32,964)
Increase in cash and cash equivalents	1,275,068	4,126,183
Cash and cash equivalents, beginning of year	<u>9,249,360</u>	<u>5,123,177</u>
Cash and cash equivalents, end of year	\$ <u>10,524,428</u>	\$ <u>9,249,360</u>

See accompanying notes to the consolidated financial statements.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Clinton Health Access Initiative, Inc. (“CHAI”) is incorporated in Arkansas as a nonprofit founded by President Bill Clinton and Ira Magaziner to provide solutions to the biggest challenges impeding effective health care delivery in developing countries. CHAI applies the rigorous thinking, analysis and urgency of the business world to save lives and strengthen health systems rapidly and more efficiently.

As a trusted partner to governments, CHAI’s programs have helped more than 8.2 million people in more than 70 countries have access to CHAI-negotiated prices for HIV/AIDS medicines. CHAI negotiated anti-retroviral drugs price reductions will generate over \$1 billion in savings between 2011 and 2015. In addition to retaining its initial focus on HIV/AIDS care and treatment, CHAI implements programs on vaccines, malaria, health systems strengthening and maternal and child health in more than 25 countries.

The accompanying consolidated financial statements include the assets, liabilities, net assets and financial activities of CHAI and the various subsidiaries established in its countries of operation which were set up to facilitate on-the-ground service delivery. The above related entities are in most cases under common management control with CHAI being the sole corporate member. While certain consolidated entities are technically independent, management has included such entities given the control and evidence of economic interest that results in effective control which in turn requires consolidated presentation.

A summary of the accounting policies consistently applied in the consolidated financial statements follows:

Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of CHAI and its subsidiaries. All significant intercompany balances have been eliminated in consolidation.

Classification of Net Assets

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of CHAI and changes therein are classified and reported as follows:

Unrestricted Net Assets - Unrestricted net assets represent resources that are not subject to donor-imposed restrictions or for which restrictions have expired.

Temporarily Restricted Net Assets - Temporarily restricted net assets represent resources that are restricted as to time and/or purpose by donors or grantors. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions in the period in which the requirements are met.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that require funds to be permanently held. CHAI has no permanently restricted net assets at this time.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Use of Judgments and Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make judgments and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates include considerations relative to the determination relative to revenue recognition associated with various funders, realization of various receivables and advances, useful lives of fixed assets, translation of foreign currency into U.S. Dollars for reporting purposes, allocation of expenses across functions and the amount of net assets to release from restriction. Actual results could differ from those estimates.

Cash and Cash Equivalents

CHAI considers highly liquid debt instruments with an original maturity of three months or less at the time of purchase to be cash equivalents. CHAI maintains its cash and cash equivalents at financial institutions which, at times, may exceed federally insured limits. Cash is also maintained at various foreign banks which are subject to different rules and protections than United States based accounts (see Note 8). CHAI maintains most of its cash and cash equivalents in bank deposit accounts. CHAI monitors its exposure associated with its cash and cash equivalents and has not experienced losses on its accounts.

Assets Held by Affiliate/Due to and from Affiliate

Assets held by affiliate represent cash and cash equivalents that were held by The Bill, Hillary and Chelsea Clinton Foundation (the "Foundation") on behalf of CHAI. The holding of these funds was part of an intercompany agreement that was dissolved as of November 8, 2013.

Assets due to and from affiliate represent intercompany activity between the Foundation and CHAI, this includes shared pension plan activity and limited joint programming between the two organizations.

Assets Limited as to Use/Assets Held for Commodities Purchases

Assets limited as to use includes funds that are held in bank deposit accounts and to a lesser extent money market mutual funds pursuant to grant and contribution agreements as well as funds advanced under CHAI's arrangement as an agent for UNITAID. Amounts advanced by UNITAID are associated with the purchase of pediatric and second line drugs and related commodities and diagnostics for UNITAID sponsored projects with a corresponding amount included in the assets held for commodities purchases.

Fair Value Measurements

CHAI reports certain assets and liabilities at fair value on a recurring and nonrecurring basis depending on the underlying accounting policy for a particular item. Recurring fair value measures include the valuation of money market mutual funds while nonrecurring measures include contributions receivable. Accounting standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require CHAI to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on a stock exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument as well as the effects of market, interest and credit risk. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these consolidated financial statements. Given limited amounts of items reporting on a fair value basis, management has not presented further detail given that less than \$200,000 of assets were reported at fair value under Level 1 methods.

Accounts, Contributions, and Grants Receivable

Accounts and grants receivable represent amounts due from various parties for costs incurred and amounts earned for services rendered but unpaid at year end. This also includes travel advances and other receivables that CHAI advances to employees for travel and related business expenses. Employees are accountable for these funds and a reserve is provided to state such amounts at the net realizable value using a standard methodology. CHAI does not provide an allowance for grants receivable amounts given its track record in collecting these receivables.

Contributions receivable are stated at the amount pledged by donors, net of payments made and allowances. CHAI's allowance for doubtful pledges receivable is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Delinquent pledges receivable are written off based on the specific circumstances of the donor making the pledge. Currently management has concluded that no allowance is necessary.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment purchased with direct program funds and for which donors dictate disposal protocol is fully expensed at the time of purchase as a program cost and is reflected in the consolidated statement of functional expenses as capital charges. All other property and equipment is capitalized at cost and depreciated on the straight-line basis over the estimated useful life of each asset.

Deferred Revenue

Deferred revenue represents funds received in advance for delivery of program services. Such amounts will be reported as revenue when earned. At December 31, 2013 and 2012, the deferred revenue balances represent funds from sixteen and fourteen granting agencies, respectively.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. Temporarily restricted resources are released from restriction upon the meeting of programmatic expenditures. Contributions are recorded at the fair value when received or verifiably committed in the case of pledges.

Gifts of equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Grants

Support funded by grants is recognized as CHAI performs the contracted services which for the most part translate into the incurring of outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. Management believes that all amounts presented represent allowable costs.

Agency Transactions

CHAI accounts for the drug purchase portion of its arrangement with UNITAID as an agency transaction given the terms of the agreement through which CHAI partners with UNITAID to provide antiretroviral drugs and related commodities to beneficiary countries. Other amounts received from UNITAID are reported as grant revenue when earned as costs are incurred associated with the managing of the related program.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

In-Kind Contributions

CHAI receives certain donated services from various parties. CHAI recognizes these amounts as revenue and expenses when the recognition criteria are met for recordation. For the years ended December 31, 2013 and 2012, \$561,853 and \$743,776 were received in in-kind contributions, respectively.

Income Tax Status

CHAI is a nonprofit corporation which has been recognized by the Internal Revenue Service as generally exempt from Federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. CHAI similarly seeks to operate on an exempt basis in its various countries of operation in accordance with local laws. Accordingly, no provision for income taxes is made in the consolidated financial statements.

Uncertain Tax Positions

CHAI accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. CHAI has identified its tax status as a tax exempt entity as its only significant tax position and has determined that such tax position does not result in an uncertainty requiring recognition. CHAI is not currently under examination by any taxing jurisdiction. CHAI’s Federal and state income tax returns are generally open for examination for three years following the date of filing the related return.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the program services, management and general and fundraising categories based on time and effort measurements and other methods.

Translation of Non-U.S. Currency Amounts

Assets and liabilities that have a local functional currency are translated to United States (U.S.) Dollars at year-end exchange rates. Translation adjustments are recorded in expenses. Income and expense transactions are recorded at exchange rates prevailing during the year.

Property and equipment - net and other nonmonetary assets and liabilities are translated at the approximate exchange rates prevailing when CHAI acquired the assets or liabilities. All other assets and liabilities denominated in a currency other than U.S. Dollars are translated at year-end exchange rates with the transaction gain or loss recognized in other (income) and expense. The aggregate foreign currency transaction loss was approximately \$377,000 and \$324,000 in 2013 and 2012, respectively, and is included in “bank and other fees” on the consolidated statements of functional expenses.

Reclassifications

Certain reclassifications have been made to the 2012 financial statements in order to conform with the current year presentation.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)

Subsequent Events

CHAI has evaluated subsequent events through May 13, 2014, the date the consolidated financial statements were authorized to be issued, and there were no material subsequent events identified.

Note 2 - Assets Limited as to Use/Assets Held for Commodities Purchases

CHAI has an agreement with UNITAID, an International Drug Purchasing Facility established in 2006 to support existing efforts to achieve the 2015 United Nations Millennium Development Goals. The mission of UNITAID is to help increase access to treatment of HIV/AIDS, Malaria and Tuberculosis for people in developing countries by using market leverage to lower prices and increase the availability of appropriate high-quality drugs and diagnostics. CHAI acts as an agent on behalf of UNITAID overseeing the various business aspects of enabling the efficient and effective administration of the program. As an agent, CHAI does not record revenue or expenses associated with UNITAID funds; however, a summary of activity of UNITAID funding and balances held by CHAI on UNITAID's behalf were as follows at December 31:

	<i>2013</i>	<i>2012</i>
Funding received for commodities purchases	\$ 32,160,816	\$ 81,467,841
Total commodities purchases	<u>(28,647,779)</u>	<u>(67,861,583)</u>
Assets held for commodities purchases	<u>\$ 3,513,037</u>	<u>\$ 13,606,258</u>

Assets limited as to use consist of the following at December 31:

	<i>2013</i>	<i>2012</i>
Funds advanced from government granting agencies	\$ 33,727,724	\$ 335,784
Funds advanced from private foundations	24,287,581	4,164,935
Assets held for commodities purchases	3,513,037	13,606,258
Other assets	<u>38,913</u>	<u>-</u>
Assets limited as to use	<u>\$ 61,567,255</u>	<u>\$ 18,106,977</u>

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 3 - Contributions and Grants Receivable

All contributions receivable are reported as a component of temporarily restricted net assets. As of December 31, 2013 and 2012, all contributions receivable are due within one year.

	<i>2013</i>	<i>2012</i>
Due within one year	\$ <u>4,944,395</u>	\$ <u>1,967,780</u>

CHAI has received conditional promises to give and grant commitments of approximately \$238,508,000 and \$171,947,000 at December 31, 2013 and 2012, respectively. These conditional promises to give will not be recognized as an asset or revenue until the conditions are substantially met in the case of contributions or in the case of grants until underlying cost are incurred.

CHAI receives grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Advances from grantors were approximately \$38,118,000 and \$21,527,000 at December 31, 2013 and 2012, respectively, and are reported as deferred revenue on the statements of financial position.

Note 4 - Property and Equipment

Property and equipment at December 31 consist of the following:

	<i>2013</i>	<i>2012</i>
Furniture and equipment	\$ 628,645	\$ 612,493
Vehicles	1,192,986	1,236,371
Buildings and fixtures	<u>164,296</u>	<u>115,346</u>
	1,985,927	1,964,210
Less: accumulated depreciation	<u>1,775,130</u>	<u>1,608,527</u>
	<u>\$ 210,797</u>	<u>\$ 355,683</u>

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 5 - Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for use in future periods. As of December 31, 2013 and 2012, the amount of temporarily restricted net assets restricted for the purpose of international health programs was \$36,135,388 and \$27,521,442, respectively.

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. During the years ended December 31, 2013 and 2012, net assets were released for the purpose of international health programs in the amounts of \$44,423,217 and \$35,564,082, respectively.

Note 6 - Pension Plans

Retirement benefits are offered to CHAI employees based on eligibility. An individual must be a full-time contracted employee working a minimum of 30 hours per week to be benefits eligible. These benefits vary and are dependent on employee type.

- U.S. based staff and U.S. expatriates are eligible to contribute into a 401(k) plan which CHAI matches up to 6% of the employee contribution. CHAI currently participates in the plan operated by the Foundation.
- Third country nationals are eligible to contribute into a defined contribution pension plan offered by CHAI. CHAI also contributes 5% of the monthly gross pay for each employee regardless of contribution amount by the employee.
- Local national retirement plans are available in a select number of countries. CHAI also contributes to the national social security fund in many of the countries in which it operates as stipulated by local law.

Expenses under the plans were \$1,739,037 and \$1,388,584 for the years ended December 31, 2013 and 2012, as follows.

	<i>2013</i>	<i>2012</i>
U.S. 401(k) Plan	\$ 741,042	\$ 631,457
Third Country National Pension Plan	292,565	214,855
Local national retirement plans	<u>705,430</u>	<u>542,272</u>
Total pension plans	\$ <u>1,739,037</u>	\$ <u>1,388,584</u>

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 7 - Related Party

CHAI is affiliated with the Foundation through common board members. The Foundation appoints a majority of members of the CHAI board. From time to time, the Foundation collects contributions on CHAI's behalf. The funds are submitted to CHAI in accordance with donor and grantor restrictions and are recognized as contribution and grant revenues in CHAI's statements of activities. CHAI has increasingly moved in a direction of financial and administrative independence, however some aspects of this transition are still in process.

The Foundation also grants funds to CHAI that are recognized as grant from affiliate in the statements of activities. For the years ended December 31, 2013 and 2012, the Foundation contributed \$2,000,000 and \$4,000,000 to CHAI, respectively.

CHAI had a line of credit agreement with the Foundation which authorized borrowings not to exceed \$12 million with such amounts payable by CHAI upon demand. As part of CHAI's separation from the Foundation on January 1, 2010, CHAI inherited approximately \$4,100,000 in debt to the Foundation in recognition of the fact that the Foundation had provided financial support for CHAI activities over the previous years. This debt was incorporated into CHAI's line of credit with the Foundation. At December 31, 2012, CHAI had a residual indebtedness to the Foundation of \$3,558,000. The debt was paid off on November 8, 2013 and the line of credit agreement was dissolved.

CHAI management is evaluating options for alternative lines of credit with financial institutions.

	<i>2013</i>	<i>2012</i>
Due from affiliates	\$ 227,053	\$ 1,113,215
Due to affiliates	<u>(40,280)</u>	<u>(4,671,711)</u>
Net due (to) from affiliates	<u>\$ 186,773</u>	<u>\$ (3,558,496)</u>

Note 8 - Concentrations, Commitments and Contingencies

Assets in Foreign Countries

CHAI maintains cash balances and equipment in Asia, Africa and the Caribbean. CHAI had approximately \$7.1 million and \$7.3 million deposited in foreign banks at December 31, 2013 and 2012, respectively. These cash balances are exposed to currency risks/variation relative to the U.S. Dollar. CHAI had property and equipment with an original cost of approximately \$2.5 million and \$2.6 million, respectively, purchased with donor funds that are not capitalized as well as a modest amount of equipment that was capitalized per CHAI's policy at December 31, 2013 and 2012, respectively.

Contributions and Grants

For the years ended December 31, 2013 and 2012, three donors and granting agencies accounted for approximately 53 percent of contributions and grant revenue.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 8 - Concentrations, Commitments and Contingencies (Continued)

Contributions and Grants (Continued)

At December 31, 2013 and 2012, the concentration of earned revenue was as follows:

Government and multilaterals	54 %
Private foundations	43
Other donors	<u>3</u>
Total	<u><u>100 %</u></u>

CHAI country operations are dependent on donor funds and economic conditions. CHAI continues to evaluate on a country-by-country basis funding requirements in both the short term and the long term. While the loss of certain donors would adversely impact operations in certain countries, management does not believe any significant donors have near-term plans to cease funding of CHAI's programs.

Operating Leases

CHAI leases its facilities both domestically and internationally under operating lease agreements which expire at various dates through 2018. Certain leases provide for additional rent for increases associated with underlying operating costs of the premises such as taxes and common area maintenance. Certain leases also offer cancellation rights. Rental expense for all operating leases was \$1,444,092 and \$1,132,627 for 2013 and 2012, respectively. Minimum future rental payments under the non-cancelable operating leases for each of the remaining years and in the aggregate are:

2014	\$	995,671
2015		503,425
2016		251,626
2017		66,000
2018		<u>16,500</u>
Total minimum lease payments	\$	<u><u>1,833,222</u></u>

Litigation

CHAI is, from time to time, subject to claims that arise primarily in the ordinary course of its activities. Currently, management is not aware of any such claim or claims that would have a material adverse effect on CHAI's financial position or net assets. Events could occur, however, that would change this estimate materially in the near term.