

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

**December 31, 2014 and 2013**



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

500 Boylston Street ■ Boston, MA 02116  
Tel: 617.761.0600 ■ Fax: 617.761.0601 ■ [www.cbiztofias.com](http://www.cbiztofias.com)

## *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, 2014 and 2013, 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, 2014 and 2013, 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 Hoffmann McCann P.C.*

June 19, 2015  
Boston, Massachusetts

**CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES**

*Consolidated Statements of Financial Position*

	<i>December 31,</i>	
	<i>2014</i>	<i>2013</i>
<b>Assets</b>		
Cash and cash equivalents	\$ 10,403,038	\$ 10,524,428
Assets limited as to use	60,368,914	61,567,255
Due from affiliate	-	186,773
Accounts receivable and deposits	1,731,983	787,924
Contributions receivable	3,392,953	4,944,395
Grants receivable	7,641,132	4,386,828
Prepaid expenses	1,527,462	638,419
Property and equipment, net of accumulated depreciation	<u>184,268</u>	<u>210,797</u>
<b>Total assets</b>	<b>\$ <u>85,249,750</u></b>	<b>\$ <u>83,246,819</u></b>
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 2,394,898	\$ 3,171,334
Accrued expenses	4,211,123	2,226,125
Deferred revenue	36,028,710	38,117,809
Obligations associated with assets held for commodities purchases	<u>3,127,700</u>	<u>3,513,037</u>
<b>Total liabilities</b>	<b><u>45,762,431</u></b>	<b><u>47,028,305</u></b>
Net assets:		
Unrestricted surplus	2,866,076	83,126
Temporarily restricted	<u>36,621,243</u>	<u>36,135,388</u>
<b>Total net assets</b>	<b><u>39,487,319</u></b>	<b><u>36,218,514</u></b>
<b>Total liabilities and net assets</b>	<b>\$ <u>85,249,750</u></b>	<b>\$ <u>83,246,819</u></b>

**CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES**

*Consolidated Statements of Activities*

*Years Ended December 31,*

	<i>2014</i>			<i>2013</i>
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>	<i>Total</i>
<b>Revenues and support:</b>				
Contributions	\$ 1,296,996	\$ 48,614,552	\$ 49,911,548	\$ 55,858,566
Grants	91,622,287	-	91,622,287	59,412,347
Grant - affiliate	-	-	-	2,000,000
In-kind contributions	405,261	-	405,261	561,853
Other	89,808	(8,564)	81,244	168,161
Net assets released from restrictions	48,120,133	(48,120,133)	-	-
<b>Total revenues, gains and other support</b>	<b>141,534,485</b>	<b>485,855</b>	<b>142,020,340</b>	<b>118,000,927</b>
<b>Expenses:</b>				
Program services	128,845,117	-	128,845,117	99,133,568
Management and general	9,014,774	-	9,014,774	7,173,500
Fundraising	891,644	-	891,644	899,558
<b>Total expenses</b>	<b>138,751,535</b>	<b>-</b>	<b>138,751,535</b>	<b>107,206,626</b>
<b>Increase in net assets</b>	<b>2,782,950</b>	<b>485,855</b>	<b>3,268,805</b>	<b>10,794,301</b>
Net assets, beginning of year	83,126	36,135,388	36,218,514	25,424,213
<b>Net assets, end of year</b>	<b>\$ 2,866,076</b>	<b>\$ 36,621,243</b>	<b>\$ 39,487,319</b>	<b>\$ 36,218,514</b>

*See accompanying notes to the consolidated financial statements.*

**CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES**

*Consolidated Statement of Activities*

*Year Ended December 31, 2013*

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
<b>Revenues and support:</b>			
Contributions	\$ 2,873,376	\$ 52,985,190	\$ 55,858,566
Grants	59,412,347	-	59,412,347
Grant - affiliate	2,000,000	-	2,000,000
In-kind contributions	561,853	-	561,853
Other	116,188	51,973	168,161
Net assets released from restrictions	<u>44,423,217</u>	<u>(44,423,217)</u>	<u>-</u>
<b>Total revenues, gains and other support</b>	<b><u>109,386,981</u></b>	<b><u>8,613,946</u></b>	<b><u>118,000,927</u></b>
<b>Expenses:</b>			
Program services	99,133,568	-	99,133,568
Management and general	7,173,500	-	7,173,500
Fundraising	<u>899,558</u>	<u>-</u>	<u>899,558</u>
<b>Total expenses</b>	<b><u>107,206,626</u></b>	<b><u>-</u></b>	<b><u>107,206,626</u></b>
<b>Increase in net assets</b>	<b>2,180,355</b>	<b>8,613,946</b>	<b>10,794,301</b>
Net assets (deficit), beginning of year	<u>(2,097,229)</u>	<u>27,521,442</u>	<u>25,424,213</u>
<b>Net assets (deficit), end of year</b>	<b><u>\$ 83,126</u></b>	<b><u>\$ 36,135,388</u></b>	<b><u>\$ 36,218,514</u></b>

**CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES**

*Consolidated Statements of Functional Expenses*

*Years Ended December 31,*

	<b>2014</b>				<b>2013</b>
	<i>Program Services</i>	<i>Management/General</i>	<i>Fundraising</i>	<i>Total</i>	<i>Total</i>
Salaries and benefits	\$ 54,087,743	\$ 5,828,860	\$ 752,945	\$ 60,669,548	\$ 49,069,562
Direct program expenditures	22,465,107	(483)	3,360	22,467,984	17,585,492
Professional and consulting fees	7,853,850	573,598	17,256	8,444,704	7,684,308
Procurement and shipping	2,549,578	192	-	2,549,770	1,668,167
Travel	12,619,216	384,397	74,631	13,078,244	10,671,899
Telecom	1,924,672	141,511	12,874	2,079,057	1,857,191
Meetings and trainings	13,280,856	83,099	19,402	13,383,357	7,425,130
Bank and other fees	411,917	548,003	790	960,710	727,230
Occupancy costs	2,337,802	330,425	-	2,668,227	1,946,654
Office expenses	5,461,910	725,875	10,386	6,198,171	3,537,784
Program equipment and infrastructure	5,664,204	8,535	-	5,672,739	3,962,232
Depreciation	27,243	96,251	-	123,494	239,520
In-kind expenses	-	405,261	-	405,261	715,293
Other expenses	161,019	(110,750)	-	50,269	116,164
<b>Total</b>	<b>\$ 128,845,117</b>	<b>\$ 9,014,774</b>	<b>\$ 891,644</b>	<b>\$ 138,751,535</b>	<b>\$ 107,206,626</b>



**CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES**

*Consolidated Statement of Functional Expenses*

*Year Ended December 31, 2013*

	<i>Program Services</i>	<i>Management/ General</i>	<i>Fundraising</i>	<i>Total</i>
Salaries and benefits	\$ 43,906,001	\$ 4,451,907	\$ 711,654	\$ 49,069,562
Direct program expenditures	17,585,254	238	-	17,585,492
Professional and consulting fees	7,139,475	467,033	77,800	7,684,308
Procurement and shipping	1,668,867	(700)	-	1,668,167
Travel	10,156,936	447,399	67,564	10,671,899
Telecom	1,714,443	118,547	24,201	1,857,191
Meetings and trainings	7,374,711	42,362	8,057	7,425,130
Bank and other fees	624,140	101,820	1,270	727,230
Occupancy costs	1,659,700	286,954	-	1,946,654
Office expenses	3,177,022	351,750	9,012	3,537,784
Program equipment and infrastructure	3,962,232	-	-	3,962,232
Depreciation	18,011	221,509	-	239,520
In-kind expenses	-	715,293	-	715,293
Other expenses	146,776	(30,612)	-	116,164
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total</b>	<b>\$ 99,133,568</b>	<b>\$ 7,173,500</b>	<b>\$ 899,558</b>	<b>\$ 107,206,626</b>

# CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

## *Consolidated Statements of Cash Flows*

	<i>Years Ended December 31,</i>	
	<i>2014</i>	<i>2013</i>
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 3,268,805	\$ 10,794,301
Adjustments to reconcile net assets provided by operating activities:		
Depreciation	123,494	239,520
Gain on sale of property and equipment	(15,425)	(34,260)
Changes in:		
Assets held by affiliate	-	37,032,812
Assets limited as to use	1,198,341	(43,460,278)
Due from affiliate	186,773	(227,053)
Accounts receivable	(944,059)	(349,464)
Contributions receivable	1,551,442	(2,976,615)
Grants receivable	(3,254,304)	(3,425,977)
Prepaid expenses	(889,043)	87,796
Accounts payable	(776,436)	578,457
Accrued expenses	1,984,998	96,532
Deferred revenue	(2,089,099)	16,591,108
Assets held for commodities purchases	(385,337)	(10,093,221)
Due to affiliate	-	(3,518,216)
	<u>(39,850)</u>	<u>1,335,442</u>
<b>Net cash provided by (used in) operating activities</b>	<b>(39,850)</b>	<b>1,335,442</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of property and equipment	19,736	45,650
Purchase of property and equipment	(101,276)	(106,024)
	<u>(81,540)</u>	<u>(60,374)</u>
<b>Net cash used in investing activities</b>	<b>(81,540)</b>	<b>(60,374)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(121,390)</b>	<b>1,275,068</b>
Cash and cash equivalents, beginning of year	<u>10,524,428</u>	<u>9,249,360</u>
<b>Cash and cash equivalents, end of year</b>	<b>\$ <u>10,403,038</u></b>	<b>\$ <u>10,524,428</u></b>

*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 9.9 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 \$3 billion in savings for developing countries. In addition to retaining its initial focus on HIV/AIDS care and treatment, CHAI implements programs on tuberculosis (TB), vaccines, malaria, health systems strengthening and maternal, newborn and child health in more than 30 countries.

Since 2007, CHAI has provided direct management and technical support to governments around the globe to assist them in scaling up effective interventions for prevention, diagnosis, treatment, and surveillance of malaria. This work includes support for designing and implementing context-adapted, resource-optimized plans, strengthening malaria programs, and accelerating progress towards malaria elimination. Among other accomplishments, on a global scale, CHAI has helped negotiate 50-75 percent reductions in the price of accurate rapid diagnostic tests to improve the treatment of suspected malaria in East Africa. At the country level, CHAI has helped prevent approximately 20,000 children from becoming sick with malaria in northern Nigeria through seasonal distribution of prophylactic drugs during the 2014 malaria season, supported the government of Swaziland to move towards elimination, reach an all-time low malaria incidence of 84 locally-acquired cases in 2013-2014, and worked to introduce malaria rapid diagnostic tests to Accredited Drug Dispensing Outlets in Tanzania, which has the potential to dramatically increase malaria testing before treatment in that country.

CHAI works across four strategic objectives to support governments to increase access to immunization, ensuring that more children are protected from vaccine-preventable diseases. These include goals to increase the speed and efficiency with which new vaccines are introduced; improve the efficiency of vaccines cold chain and logistics systems, enhance planning, resourcing, and implementation of immunization strategy, and lower prices of key vaccines and cold chain equipment. CHAI worked with vaccine manufacturers, the Bill & Melinda Gates Foundation, the GAVI Alliance, UNICEF, and other partners to negotiate vaccine price reductions for the pentavalent vaccine, rotavirus vaccine, and inactivated polio vaccine. These price reductions are expected to save approximately U.S. \$1 billion by 2018. CHAI has also supported new vaccine introductions that have averted approximately 135,000 deaths per year across five focus countries: Ethiopia, Kenya, Malawi, Nigeria, and Tanzania.

In addition to CHAI’s programmatic focus areas, two programs supporting the entire organization include Access to Medicines and Applied Analytics.

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 which in turn requires consolidated 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)*

#### *Nature of Operations (Continued)*

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.

#### *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. Judgments and 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.

# CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

## *Notes to Consolidated Financial Statements*

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

#### *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 in deposit accounts 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 9). CHAI monitors its exposure associated with its cash and cash equivalents and has not experienced losses on its accounts.

#### *Due from Affiliate*

Assets due from affiliate represent intercompany activity between the Bill, Hillary and Chelsea Clinton Foundation (“the Foundation”) and CHAI. At December 31, 2013, this included shared pension plan activity and limited joint programming between the two organizations.

There were no amounts due from the affiliate at December 31, 2014.

#### *Assets Limited as to Use/Obligations Associated with Assets Held for Commodities Purchases*

Assets limited as to use includes funds that are held in bank deposit accounts 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 drugs and related commodities and diagnostics for UNITAID sponsored projects with a corresponding amount as obligations associated with assets held for commodities purchases. Other amounts received from UNITAID are reported as grant revenue when earned as costs are incurred associated with managing of other programs.

#### *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.

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.

# 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)*

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 \$400,000 of assets were reported at fair value under Level 1 methods.

#### *Accounts, Contributions, and Grants Receivable*

Accounts receivable and deposits includes travel advances, other receivables that CHAI advances to employees for travel and related business expenses as well as various deposits for leased facilities. Employees are accountable for these funds and a reserve is provided to state such amounts at the net realizable value using a standard methodology.

Contributions receivable are stated at the amount pledged by donors, net of payments made and any 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.

Grants receivable represent amounts due from various parties for costs incurred and amounts earned for services rendered but unpaid at year end. CHAI does not provide an allowance for grants receivable amounts given its track record in collecting these receivables.

#### *Property and Equipment*

Property and equipment purchased with direct program funds and for which donors dictate disposal protocol are fully expensed at the time of purchase as a program cost and are reflected in the consolidated statement of functional expenses as program equipment and infrastructure. All other property and equipment are 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, 2014 and 2013, the deferred revenue balances represent funds from thirteen and sixteen granting agencies, respectively.

# CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

## *Notes to Consolidated Financial Statements*

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

#### ***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 generally released from restriction as direct programmatic expenditures are incurred along with amounts allowable for overhead. Contributions are recorded as revenue at 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 revenue as CHAI performs the contracted services. Accordingly, as CHAI incurs direct programmatic expenses eligible for reimbursement under the grant agreements, revenue is recognized along with amounts allowable for overhead. 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.

#### ***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, 2014 and 2013, \$405,261 and \$561,853 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.

# CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

## *Notes to Consolidated Financial Statements*

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

#### *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 it’s only significant tax position and has determined that such tax position does not result in an uncertainty requiring recognition. CHAI’s U.S. Federal and state income tax returns are generally open for examination for three years following the extended date, if any, of filing the related return. CHAI’s foreign tax returns are subject to examination by governmental authorities under applicable local law. CHAI is not aware of any pending examination by any such authority.

#### *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 loss was approximately \$553,000 and \$377,000 in 2014 and 2013, respectively, and is included in “bank and other fees” on the consolidated statements of functional expenses.

#### *Subsequent Events*

CHAI has evaluated subsequent events through June 19, 2015, the date the consolidated financial statements were authorized to be issued, and there were no material subsequent events identified.



# CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

## *Notes to Consolidated Financial Statements*

### *Note 2 - Assets Limited as to Use/Obligations Associated with Assets Held for Commodities Purchases*

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

	<i>2014</i>	<i>2013</i>
Funds advanced from government granting agencies	\$ 29,321,692	\$ 33,727,724
Funds advanced from private foundations	27,133,646	24,287,581
Assets held for commodities purchases	3,127,700	3,513,037
Other assets	<u>785,876</u>	<u>38,913</u>
<b>Assets limited as to use</b>	<b>\$ <u>60,368,914</u></b>	<b>\$ <u>61,567,255</u></b>

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>2014</i>	<i>2013</i>
Funding received for commodities purchases	\$ 17,323,940	\$ 32,160,816
Total commodities purchases	<u>(14,196,240)</u>	<u>(28,647,779)</u>
<b>Obligations associated with assets held for commodities purchases</b>	<b>\$ <u>3,127,700</u></b>	<b>\$ <u>3,513,037</u></b>

### *Note 3 - Contributions Receivable*

All contributions receivable are reported within temporarily restricted net assets given their program restricted nature. As of December 31, 2014 and 2013, all contributions receivable are due within one year.

	<i>2014</i>	<i>2013</i>
Due within one year	<u>\$ 3,392,953</u>	<u>\$ 4,944,395</u>

CHAI has received conditional promises to give of approximately \$107,082,000 at December 31, 2014. These conditional promises to give will not be recognized as an asset or revenue until the conditions to do so are substantially met.

# CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

## *Notes to Consolidated Financial Statements*

### *Note 4 - Grants Advanced and Committed*

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 \$36,029,000 and \$38,118,000 at December 31, 2014 and 2013, respectively, and are reported as deferred revenue on the statements of financial position.

CHAI has received grant commitments of approximately \$130,794,000 at December 31, 2014. Grant revenue associated with these commitments will not be recognized until underlying costs are incurred.

### *Note 5 - Property and Equipment*

Property and equipment at December 31 consist of the following:

	<i>2014</i>	<i>2013</i>
Furniture and equipment	\$ 702,240	\$ 628,645
Vehicles	1,168,748	1,192,986
Buildings and fixtures	<u>164,296</u>	<u>164,296</u>
	2,035,284	1,985,927
Less: accumulated depreciation	<u>1,851,016</u>	<u>1,775,130</u>
	<u><u>\$ 184,268</u></u>	<u><u>\$ 210,797</u></u>

### *Note 6 - Net Assets*

#### *Temporarily Restricted Net Assets*

Temporarily restricted net assets are available for use in future periods. As of December 31, 2014 and 2013, the amount of temporarily restricted net assets restricted for the purpose of international health programs was \$36,621,243 and \$36,135,388, 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, 2014 and 2013, net assets were released for the purpose of international health programs in the amounts of \$48,120,133 and \$44,423,217, respectively.

# CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

## *Notes to Consolidated Financial Statements*

### *Note 7 - Retirement 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 participated in a plan operated by the Foundation, however as of January 1, 2015, CHAI separated from the Foundation's plan and moved its employees to a new retirement plan platform with substantially similar terms.
- Third country nationals are eligible to contribute into a defined contribution pension plan offered by CHAI. Effective July 1, 2013, the contribution is 6% of the monthly gross pay for each employee regardless of contribution amount by the employee up from 5% prior to that date.
- 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 \$2,472,133 and \$1,739,037 for the years ended December 31, 2014 and 2013, as follows.

	<i>2014</i>	<i>2013</i>
U.S. 401(k) plan	\$ 973,061	\$ 741,042
Third country national pension plan	341,802	292,565
Local national retirement plans	<u>1,157,270</u>	<u>705,430</u>
<b>Total retirement plan expense</b>	<b>\$ <u>2,472,133</u></b>	<b>\$ <u>1,739,037</u></b>

### *Note 8 - Related Party*

CHAI is affiliated with the Foundation through common board members. The Foundation appoints five of CHAI's nine Board members, with former President Clinton and Ira Magaziner being named as two of the five appointed parties. 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 participated in the Foundation's defined contribution retirement plan until it was migrated January 1, 2015.

The Foundation granted \$2,000,000 in funds to CHAI that are recognized as grant from affiliate in the statements of activities in 2013. The Foundation did not grant any funds to CHAI in 2014.

In November 2013, CHAI paid off its debt to the Foundation of \$3,558,000 and ended a line of credit that had been provided up to that date by the Foundation.

# CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

## *Notes to Consolidated Financial Statements*

### *Note 8 - Related Party (Continued)*

Excluding the grant and debt above, total transactions between CHAI and the Foundation were as follows:

	<i>2014</i>	<i>2013</i>
Amounts charged to the Foundation by CHAI	\$ -	\$ 227,053
Amounts charged to CHAI by the Foundation	<u>-</u>	<u>(40,280)</u>
<b>Net due from affiliate</b>	<b><u>\$ -</u></b>	<b><u>\$ 186,773</u></b>

### *Note 9 - Concentrations, Commitments and Contingencies*

#### *Assets in Foreign Countries*

CHAI maintains cash balances and equipment in Asia, Africa and the Caribbean. CHAI had approximately \$9.7 million and \$7.1 million deposited in foreign banks at December 31, 2014 and 2013, 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 \$3.8 million and \$2.5 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, and included in property and equipment, net at December 31, 2014 and 2013, respectively.

#### *Contributions and Grants*

For the years ended December 31, 2014 and 2013, three donors accounted for approximately 67 and 53 percent of contribution revenue, respectively, and three granting agencies accounted for approximately 59 and 53 percent of grant revenue, respectively.

At December 31, 2014, the concentration of earned revenue was as follows:

Government and multilaterals	60 %
Private foundations	37
Other donors	<u>3</u>
<b>Total</b>	<b><u>100 %</u></b>

CHAI country operations are dependent on contributed and granted 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 funds would reduce resources available for programs, management believes its near term funding is stable and that it can navigate funding changes should they occur.

# CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

## *Notes to Consolidated Financial Statements*

### *Note 9 - Concentrations, Commitments and Contingencies (Continued)*

#### *Operating Leases*

CHAI leases its facilities both domestically and internationally under operating lease agreements which expire at various dates through 2019. 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 \$1,812,479 and \$1,444,092 for 2014 and 2013, respectively. Minimum future rental payments under the non-cancelable operating leases for each of the remaining years and in the aggregate are:

2015	\$	1,611,802
2016		952,265
2017		281,399
2018		130,250
2019		<u>96,000</u>
<b>Total minimum lease payments</b>	<b>\$</b>	<b><u><u>3,071,716</u></u></b>

#### *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 claims that would have a material effect on CHAI's financial position or net assets.

### *Note 10 - Statement of Functional Expenses*

In the consolidated statement of functional expenses, CHAI presents costs broken down across program services, management and general, and fundraising expenses. All the expense categories are associated predominately with the direct delivery of programs, including Salaries and benefits, Meetings and trainings, and Travel.