



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

**December 31, 2017 and 2016**



# 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, 2017 and 2016, 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 Consolidated 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. 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, 2017 and 2016, 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.*

May 31, 2018  
Boston, Massachusetts

# CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

## Consolidated Statements of Financial Position

	<i>December 31,</i>	
	<i>2017</i>	<i>2016</i>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,164,612	\$ 2,231,644
Cash and cash equivalents limited as to use	71,640,264	72,902,834
Advances and deposits	612,069	410,922
Contributions receivable	1,387,539	2,830,391
Grants receivable	2,768,294	6,092,015
Prepaid expenses	5,081,677	6,049,344
Property and equipment, net of accumulated depreciation	<u>203,793</u>	<u>247,329</u>
<b>Total assets</b>	<b><u>\$ 82,858,248</u></b>	<b><u>\$ 90,764,479</u></b>
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 3,911,976	\$ 2,190,926
Accrued expenses	2,622,539	2,540,424
Deferred revenue	<u>21,118,751</u>	<u>23,442,391</u>
<b>Total liabilities</b>	<b><u>27,653,266</u></b>	<b><u>28,173,741</u></b>
Net assets:		
Unrestricted	2,895,733	2,621,616
Temporarily restricted	<u>52,309,249</u>	<u>59,969,122</u>
<b>Total net assets</b>	<b><u>55,204,982</u></b>	<b><u>62,590,738</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 82,858,248</u></b>	<b><u>\$ 90,764,479</u></b>

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

***Consolidated Statements of Activities***

*Years Ended December 31,*

	<b>2017</b>			<b>2016</b>
	<b><i>Unrestricted</i></b>	<b><i>Temporarily Restricted</i></b>	<b><i>Total</i></b>	<b><i>Total</i></b>
<b>Revenues and support:</b>				
Contributions	\$ 693,300	\$ 63,859,183	\$ 64,552,483	\$ 77,209,450
Grants	62,681,596	-	62,681,596	65,539,690
In-kind contributions	1,236,611	-	1,236,611	902,092
Other	148,761	167,936	316,697	196,256
Net assets released from restrictions	71,686,992	(71,686,992)	-	-
<b>Total revenues, gains and other support</b>	<b>136,447,260</b>	<b>(7,659,873)</b>	<b>128,787,387</b>	<b>143,847,488</b>
<b>Expenses:</b>				
Program services	124,539,081	-	124,539,081	128,733,168
Management and general	10,537,320	-	10,537,320	11,047,222
Fundraising	1,096,742	-	1,096,742	1,035,062
<b>Total expenses</b>	<b>136,173,143</b>	<b>-</b>	<b>136,173,143</b>	<b>140,815,452</b>
<b>Increase (decrease) in net assets</b>	<b>274,117</b>	<b>(7,659,873)</b>	<b>(7,385,756)</b>	<b>3,032,036</b>
Net assets, beginning of year	2,621,616	59,969,122	62,590,738	59,558,702
<b>Net assets, end of year</b>	<b>\$ 2,895,733</b>	<b>\$ 52,309,249</b>	<b>\$ 55,204,982</b>	<b>\$ 62,590,738</b>

See accompanying notes to the consolidated financial statements.

# CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

## *Consolidated Statement of Activities*

*Year Ended December 31, 2016*

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
<b>Revenues and support:</b>			
Contributions	\$ 459,779	\$ 76,749,671	\$ 77,209,450
Grants	65,539,690	-	65,539,690
In-kind contributions	902,092	-	902,092
Other	149,738	46,518	196,256
Net assets released from restrictions	<u>72,681,758</u>	<u>(72,681,758)</u>	<u>-</u>
<b>Total revenues, gains and other support</b>	<b><u>139,733,057</u></b>	<b><u>4,114,431</u></b>	<b><u>143,847,488</u></b>
<b>Expenses:</b>			
Program services	128,733,168	-	128,733,168
Management and general	11,047,222	-	11,047,222
Fundraising	<u>1,035,062</u>	<u>-</u>	<u>1,035,062</u>
<b>Total expenses</b>	<b><u>140,815,452</u></b>	<b><u>-</u></b>	<b><u>140,815,452</u></b>
<b>Increase (decrease) in net assets</b>	<b>(1,082,395)</b>	<b>4,114,431</b>	<b>3,032,036</b>
Net assets, beginning of year	<u>3,704,011</u>	<u>55,854,691</u>	<u>59,558,702</u>
<b>Net assets, end of year</b>	<b><u>\$ 2,621,616</u></b>	<b><u>\$ 59,969,122</u></b>	<b><u>\$ 62,590,738</u></b>

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

***Consolidated Statements of Functional Expenses***

*Years Ended December 31,*

	<b>2017</b>			<b>2016</b>	
	<b><i>Program Services</i></b>	<b><i>Management/ General</i></b>	<b><i>Fundraising</i></b>	<b><i>Total</i></b>	<b><i>Total</i></b>
Salaries and benefits	\$ 65,440,901	\$ 7,269,613	\$ 971,252	\$ 73,681,766	\$ 72,957,333
Travel, meetings and trainings	23,286,625	368,514	46,913	23,702,052	24,049,542
Subcontracts and bulk program supplies	19,795,042	-	-	19,795,042	23,121,444
Professional and consulting fees	6,576,094	686,113	60,766	7,322,973	7,983,180
Occupancy costs	2,216,038	451,940	113	2,668,091	2,740,703
Office expenses	1,887,276	37,505	6,474	1,931,255	2,125,348
Telecom	1,666,057	189,589	8,658	1,864,304	2,055,337
Program equipment and infrastructure	1,826,956	16,825	2,566	1,846,347	3,218,735
Procurement and shipping	1,480,098	-	-	1,480,098	1,102,356
In-kind expenses	-	1,236,611	-	1,236,611	902,092
Other expenses	253,840	114,914	-	368,754	148,495
Bank and other fees	58,143	129,004	-	187,147	326,131
Depreciation	52,011	36,692	-	88,703	84,756
<b>Total</b>	<b>\$ 124,539,081</b>	<b>\$ 10,537,320</b>	<b>\$ 1,096,742</b>	<b>\$ 136,173,143</b>	<b>\$ 140,815,452</b>

*See accompanying notes to the consolidated financial statements.*



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

***Consolidated Statement of Functional Expenses***

*Year Ended December 31, 2016*

	<b><i>Program Services</i></b>	<b><i>Management/ General</i></b>	<b><i>Fundraising</i></b>	<b><i>Total</i></b>
Salaries and benefits	\$ 64,515,764	\$ 7,542,079	\$ 899,490	\$ 72,957,333
Travel, meetings and trainings	23,324,318	669,748	55,476	24,049,542
Subcontracts and bulk program supplies	23,121,444	-	-	23,121,444
Professional and consulting fees	7,008,215	914,965	60,000	7,983,180
Occupancy costs	2,317,769	422,433	501	2,740,703
Office expenses	2,037,919	82,885	4,544	2,125,348
Telecom	1,846,947	197,692	10,698	2,055,337
Program equipment and infrastructure	3,107,330	107,428	3,977	3,218,735
Procurement and shipping	1,102,356	-	-	1,102,356
In-kind expenses	-	902,092	-	902,092
Other expenses	107,694	40,518	283	148,495
Bank and other fees	195,927	130,111	93	326,131
Depreciation	47,485	37,271	-	84,756
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b><u>\$ 128,733,168</u></b>	<b><u>\$ 11,047,222</u></b>	<b><u>\$ 1,035,062</u></b>	<b><u>\$ 140,815,452</u></b>

# CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

## *Consolidated Statements of Cash Flows*

	<i>Years Ended December 31,</i>	
	<i>2017</i>	<i>2016</i>
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets	\$ (7,385,756)	\$ 3,032,036
Adjustments to reconcile net assets used in operating activities:		
Depreciation	88,703	84,755
Changes in:		
Cash and cash equivalents limited as to use	1,262,570	4,789,844
Advances and deposits	(201,147)	1,025,737
Contributions receivable	1,442,852	207,406
Grants receivable	3,323,721	(4,165,701)
Prepaid expenses	967,667	(5,043,024)
Accounts payable	1,721,050	(1,733,829)
Accrued expenses	82,115	(6,499)
Deferred revenue	<u>(2,323,640)</u>	<u>(5,764,513)</u>
<b>Net cash used in operating activities</b>	<b><u>(1,021,865)</u></b>	<b><u>(7,573,788)</u></b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	<u>(45,167)</u>	<u>(107,578)</u>
<b>Net cash used in investing activities</b>	<b><u>(45,167)</u></b>	<b><u>(107,578)</u></b>
<b>Decrease in cash and cash equivalents</b>	<b>(1,067,032)</b>	<b>(7,681,366)</b>
Cash and cash equivalents, beginning of year	<u>2,231,644</u>	<u>9,913,010</u>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 1,164,612</u></b>	<b><u>\$ 2,231,644</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 C. 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 by improving markets for medicines and diagnostics, lowering the cost of treatment, and accelerating access to key drugs and technologies.

As a trusted partner to governments, CHAI's programs have helped over 11 million people in more than 80 countries have access to CHAI-negotiated prices for HIV/AIDS medicines. 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 30 countries around the world.

Prior to March 7, 2017, CHAI was affiliated with the Clinton Foundation (the "Foundation"). The Foundation was required to appoint five of the nine members of CHAI's Board of Directors (the "Board"), and the Foundation and CHAI had some common directors. Effective on March 7, 2017, the Board was expanded to eighteen directors, all of whom are elected by the Board as a whole. Currently, three of these directors also serve on the Foundation's Board of Directors. CHAI has not had any financial transactions with the Foundation during 2017 and 2016.

The accompanying consolidated financial statements include the assets, liabilities, net assets and financial activities of CHAI and the various subsidiaries established in the countries in which it operates 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 consolidated 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.

# CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

## *Notes to Consolidated Financial Statements*

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

#### ***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 of revenue recognition associated with various funders (with some transactions being considered contributions while others are considered exchange transactions), 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 domestic and foreign banks, which have different rules and deposit insurance, and such balances may exceed insured limits. CHAI monitors its exposure associated with its cash and cash equivalents and has not experienced losses on its accounts.

#### ***Cash and Cash Equivalents Limited as to Use***

Cash and cash equivalents limited as to use includes funds that are held in bank deposit accounts pursuant to grant and contribution agreements primarily from governments and private foundations. Balances may exceed insured limits.

# CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

## *Notes to Consolidated Financial Statements*

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

#### ***Advances, Contributions, and Grants Receivable***

Advances and deposits include travel advances and other receivables from 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.

Grants and contributions receivable represent amounts due from various parties for costs incurred and amounts earned for services rendered but unpaid at year end under various grant agreements. CHAI has concluded that no allowance for grants receivable is necessary based on review of the outstanding accounts, historical collection information, and existing economic conditions.

#### ***Prepaid Expenses***

Prepaid expenses include items such as insurance, rent and program supplies and materials purchased in advance, not yet delivered. Such supplies and materials are reflected as program costs when transferred to a site for local use.

#### ***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 statements 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.

#### ***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 received in the form of pledges are recorded as revenue at the estimated fair value when verifiably committed; given the short-term nature of these and positive collection history, the fair value and carrying value of such have been the same.

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.

# CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

## *Notes to Consolidated Financial Statements*

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

#### **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. Invoiced and uninvoiced amounts are recorded in accounts receivable as such costs are incurred. 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.

#### **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. Recognized amounts were \$1,236,611 and \$902,092 for the years ended December 31, 2017 and 2016, 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'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 government 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 consolidated statements 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.

# CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

## *Notes to Consolidated Financial Statements*

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

#### ***Translation to United States Dollars***

Assets and liabilities that have a local functional currency are translated to United States (U.S.) Dollars at year-end exchange rates. 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.

The aggregate foreign currency (gain)/loss was approximately \$(33,000) and \$108,000 in 2017 and 2016, respectively, and is included in "bank and other fees" on the consolidated statements of functional expenses. Transactions are recorded at exchange rates prevailing during the year.

#### ***Reclassifications***

Certain reclassifications have been made to the 2016 financial statements in order to conform with the current year presentation.

#### ***Subsequent Events***

CHAI has evaluated subsequent events through May 31, 2018, the date that the consolidated financial statements were authorized to be issued. No events occurred through that date that required recognition or disclosure.

### **Note 2 - Cash and Cash Equivalents Limited as to Use**

Cash and cash equivalents limited as to use consist of the following at December 31:

	<b>2017</b>	<b>2016</b>
Funds advanced from government granting agencies	\$ 21,402,559	\$ 17,627,432
Funds advanced from private foundations	49,897,203	54,905,730
Other assets	<u>340,502</u>	<u>369,672</u>
<b>Cash and cash equivalents limited as to use</b>	<b><u>\$ 71,640,264</u></b>	<b><u>\$ 72,902,834</u></b>

# CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### Note 3 - Contributions Receivable

Contributions receivable are as follows at December 31:

	<b>2017</b>	<b>2016</b>
Due within one year	<u>\$ 1,387,539</u>	<u>\$ 2,830,391</u>

CHAI has received conditional promises to give of approximately \$108,806,000 and \$119,054,000 at December 31, 2017 and 2016, respectively. These conditional promises to give will not be recognized as an asset or revenue until the conditions to do so are substantially met.

### Note 4 - Deferred Revenue and Funds Committed

CHAI often receives support in advance of delivery of services. Revenue associated with such transactions are reflected when the related services and costs have been incurred with such values reducing the advance. Advances from grantors were approximately \$21,119,000 and \$23,442,000 at December 31, 2017 and 2016, respectively, and are reported as deferred revenue on the consolidated statements of financial position.

In addition to these advances, CHAI has commitments of approximately \$127,511,000 and \$110,236,000 at December 31, 2017 and 2016, respectively, from grantors to fund future service delivery activities. 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:

	<b>2017</b>	<b>2016</b>
Furniture and equipment	\$ 862,899	\$ 862,899
Vehicles	1,277,680	1,240,784
Buildings and fixtures	<u>176,020</u>	<u>167,749</u>
	2,316,599	2,271,432
Less: accumulated depreciation	<u>2,112,806</u>	<u>2,024,103</u>
<b>Property and equipment, net</b>	<u><b>\$ 203,793</b></u>	<u><b>\$ 247,329</b></u>



# CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

## *Notes to Consolidated Financial Statements*

### **Note 6 - Net Assets**

#### ***Temporarily Restricted Net Assets***

Temporarily restricted net assets restricted for the purpose of international health programs amounted to \$52,309,249 and \$59,969,122 as of December 31, 2017 and 2016, 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. Net assets released for the purpose of international health programs amounted to \$71,686,992 and \$72,681,758 for the years ended December 31, 2017 and 2016, respectively.

### **Note 7 - 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 1,000 hours per year to be benefits eligible. These benefits are summarized as follows:

- U.S. based staff and U.S. expatriates are eligible to contribute into a 401(k) plan which CHAI matches up to 6% of their eligible compensation.
- Third country nationals are eligible to contribute into a defined contribution pension plan offered by CHAI. CHAI also contributes 6% of eligible compensation 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 \$3,067,966 and \$2,765,767 for the years ended December 31, 2017 and 2016, respectively.

### **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 \$1.1 million and \$1.7 million deposited in foreign banks at December 31, 2017 and 2016, respectively. These cash balances are exposed to currency risks/variation relative to the U.S. Dollar. In addition, CHAI has property and equipment in various countries purchased with donor funds and used for programmatic purposes that are not capitalized, as well as a modest amount of equipment that was capitalized per CHAI's policy, and included property and equipment, net at December 31, 2017 and 2016.

# CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### Note 8 - Concentrations, Commitments and Contingencies (Continued)

#### Contributions and Grants

For the years ended December 31, 2017 and 2016, three donors accounted for approximately 74% and 75% of contributions revenue, respectively, and three granting agencies accounted for approximately 77% and 68% of grant revenue, respectively.

Earned revenue came from the following sources for the years ended December 31:

	2017	2016
Government and multilaterals	47%	47%
Private foundations	51%	51%
Other donors	2%	2%
<b>Total</b>	<b><u>100%</u></b>	<b><u>100%</u></b>

CHAI country operations are dependent on contributed and granted funds, economic conditions and local circumstances. CHAI continues to evaluate these factors on a country-by-country basis to ensure calibration to resources and other circumstances. 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.

#### Operating Leases

CHAI leases its facilities both domestically and internationally under operating lease agreements which expire at various dates through 2021. Certain leases provide for additional rent for increases associated with underlying operating costs of the premises such as taxes and common area maintenance. Some leases also offer cancellation rights. Rental expense for all operating leases was \$2,034,630 and \$2,050,141 for 2017 and 2016, respectively. Minimum future rental payments under the non-cancelable operating leases for each of the remaining years and in the aggregate are:

2018	\$ 1,145,107
2019	771,785
2020	359,244
2021	147,790
<b>Total minimum lease payments</b>	<b><u>\$ 2,423,926</u></b>

#### Litigation

CHAI is 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 could have a material adverse effect on CHAI's financial position or net assets.

# CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

## *Notes to Consolidated Financial Statements*

### ***Note 9 - Statement of Functional Expenses***

In the consolidated statements 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 and Travel, meetings and trainings.