

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Financial Statements and Supplemental Information

Table of Contents

Consolidated Financial Statements:

Independent Auditors' Report	1-2
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4-5
Consolidated Statements of Functional Expenses	6-7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9-18

Supplemental Information:

Consolidated Schedule of Expenditures of Federal Awards	19
Notes to Consolidated Schedule of Expenditures of Federal Awards	20

Reporting Under Government Auditing Standards

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	21-22
---	-------

Reporting Under the Uniform Guidance

Independent Auditors' Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	23-24
Schedule of Findings and Questioned Costs	25-26



Mayer Hoffman McCann P.C.
500 Boylston Street ■ Boston, MA 02116
Main: 617.761.0600 ■ Fax: 617.761.0601
www.cbiz.com/newengland

Independent Auditors' Report

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

Report on the Consolidated Financial Statements

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, 2019 and 2018, 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 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, 2019 and 2018, 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.

Other Matters

Emphasis of Matters

As discussed in Note 1 to the consolidated financial statements, in 2019, CHAI adopted Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* and ASU 2016-18, *Statement of Cash Flows: Restricted Cash*. Our opinion is not modified with respect to these matters.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidated schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2020 on our consideration of CHAI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CHAI's internal control over financial reporting and compliance.

Mayer Hoffmann McCann P.C.

June 17, 2020
Boston, Massachusetts

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position

December 31,

	2019	2018
Assets		
Cash and cash equivalents	\$ 11,076,829	\$ 7,232,644
Cash and cash equivalents limited as to use	80,537,603	90,673,339
Advances and deposits	725,767	886,001
Contributions receivable	-	1,541,113
Grants receivable	7,173,112	1,890,100
Prepaid expenses	2,552,041	3,564,635
Property and equipment	<u>305,224</u>	<u>139,291</u>
Total assets	<u>\$ 102,370,576</u>	<u>\$ 105,927,123</u>
Liabilities and Net Assets		
Accounts payable	\$ 6,366,218	\$ 5,249,092
Accrued expenses	5,304,001	4,661,876
Deferred revenue	<u>79,914,694</u>	<u>23,587,992</u>
Total liabilities	<u>91,584,913</u>	<u>33,498,960</u>
Net assets:		
Without donor restrictions	10,162,753	5,342,816
With donor restrictions	<u>622,910</u>	<u>67,085,347</u>
Total net assets	<u>10,785,663</u>	<u>72,428,163</u>
Total liabilities and net assets	<u>\$ 102,370,576</u>	<u>\$ 105,927,123</u>

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Statement of Activities

*Year Ended December 31, 2019
(with comparative totals for 2018)*

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues and support:				
Contributions	\$ 898,252	\$ 473,304	\$ 1,371,556	\$ 110,483,335
Grants	187,828,375	-	187,828,375	64,812,718
In-kind contributions	1,921,338	-	1,921,338	1,765,528
Other	1,124,356	-	1,124,356	695,580
Net assets released from restrictions	2,465,016	(2,465,016)	-	-
Total revenues, gains and other support	194,237,337	(1,991,712)	192,245,625	177,757,161
Expenses:				
Program services	175,781,700	-	175,781,700	148,748,479
Management and general	13,048,395	-	13,048,395	11,177,691
Fundraising	587,305	-	587,305	607,810
Total expenses	189,417,400	-	189,417,400	160,533,980
Increase in net assets	4,819,937	(1,991,712)	2,828,225	17,223,181
Net assets, beginning of year as previously reported	5,342,816	67,085,347	72,428,163	55,204,982
Cumulative impact of change in accounting principles	-	(64,470,725)	(64,470,725)	-
Net assets, beginning of year restated	5,342,816	2,614,622	7,957,438	55,204,982
Net assets, end of year	\$ 10,162,753	\$ 622,910	\$ 10,785,663	\$ 72,428,163

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Statement of Activities

Year Ended December 31,

	2018		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Revenues and support:			
Contributions	\$ 1,876,230	\$ 108,607,105	\$ 110,483,335
Grants	64,812,718	-	64,812,718
In-kind contributions	1,765,528	-	1,765,528
Other	386,377	309,203	695,580
Net assets released from restrictions	94,140,210	(94,140,210)	-
	<u>162,981,063</u>	<u>14,776,098</u>	<u>177,757,161</u>
Total revenues, gains and other support			
Expenses:			
Program services	148,748,479	-	148,748,479
Management and general	11,177,691	-	11,177,691
Fundraising	607,810	-	607,810
	<u>160,533,980</u>	<u>-</u>	<u>160,533,980</u>
Total expenses			
Increase in net assets	2,447,083	14,776,098	17,223,181
Net assets, beginning of year	<u>2,895,733</u>	<u>52,309,249</u>	<u>55,204,982</u>
Net assets, end of year	<u>\$ 5,342,816</u>	<u>\$ 67,085,347</u>	<u>\$ 72,428,163</u>

See accompanying notes to the consolidated financial statements.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

Year Ended December 31, 2019
(with comparative totals for 2018)

	2019							2018			
	Program Services										
	Infectious Diseases	Sexual, Reproductive, Maternal, Newborn and Child Health	Non-Communicable Diseases	Achieving Universal Coverage	Market Shaping	Other Program Services	Total Program Services	Management and General	Fundraising	Total	Total
Salaries and benefits	\$ 36,074,262	\$ 22,191,494	\$ 12,951,474	\$ 8,570,360	\$ 3,110,917	\$ 463,227	\$ 83,361,734	\$ 9,162,300	\$ 490,135	\$ 93,014,169	\$ 80,773,846
Travel, meetings and trainings	12,950,733	12,956,939	5,239,759	2,978,054	822,337	162,203	35,110,025	713,553	46,378	35,869,956	29,778,340
Subcontracts and bulk program supplies	16,608,023	9,462,270	2,067,421	3,399,504	936,808	36,629	32,510,655	-	7,679	32,518,334	23,435,552
Professional and consulting fees	3,175,690	2,665,760	1,260,150	201,695	83,286	334,342	7,720,923	1,231,814	26,931	8,979,668	8,533,520
Program equipment and infrastructure	307,187	2,362,276	594,983	586,211	144	6,031	3,856,832	2,748	150	3,859,730	4,470,878
Office expenses	1,425,236	1,026,340	402,489	410,160	46,958	344,141	3,655,324	97,315	7,070	3,759,709	3,152,046
Procurement and shipping	649,700	3,060,723	19,886	16,894	213	1,903	3,749,319	-	-	3,749,319	2,879,394
Occupancy costs	914,652	718,557	192,709	208,825	8,400	566,081	2,609,224	495,674	-	3,104,898	2,799,012
Telecom	661,957	373,735	201,759	158,662	61,739	86,851	1,544,703	140,433	4,653	1,689,789	1,704,083
In-kind expenses	-	-	-	-	-	1,235,283	1,235,283	686,055	-	1,921,338	1,765,528
Other expenses	51,469	(40,504)	21,240	10,848	810	56,421	100,284	96,816	4,306	201,406	697,017
Bank and other fees	131,074	112,607	27,666	28,712	2,755	(6,618)	296,196	282,002	3	578,201	460,941
Depreciation	-	9,633	-	-	-	21,565	31,198	139,685	-	170,883	83,823
Total	\$ 72,949,983	\$ 54,899,830	\$ 22,979,536	\$ 16,569,925	\$ 5,074,367	\$ 3,308,059	\$ 175,781,700	\$ 13,048,395	\$ 587,305	\$ 189,417,400	\$ 160,533,980

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

Year Ended December 31,

2018

	Program Services						Management and General	Fundraising	Total	
	Infectious Diseases	Sexual, Reproductive, Maternal, Newborn and Child Health	Non-Communicable Diseases	Achieving Universal Coverage	Market Shaping	Other Program Services				Total Program Services
Salaries and benefits	\$ 32,628,351	\$ 17,582,532	\$ 10,833,096	\$ 7,690,199	\$ 2,402,593	\$ 1,160,321	\$ 72,297,092	\$ 7,942,342	\$ 534,412	\$ 80,773,846
Travel, meetings and trainings	12,325,013	9,220,185	4,614,148	2,284,339	562,791	234,966	29,241,442	514,823	22,075	29,778,340
Subcontracts and bulk program supplies	10,602,048	7,900,800	1,730,929	2,947,018	150,195	104,562	23,435,552	-	-	23,435,552
Professional and consulting fees	3,661,791	2,325,208	818,471	829,337	23,188	177,457	7,835,452	659,988	38,080	8,533,520
Program equipment and infrastructure	313,447	2,126,295	369,032	1,654,276	-	614	4,463,664	7,214	-	4,470,878
Office expenses	1,480,746	742,755	285,080	417,718	70,319	89,434	3,086,052	57,360	8,634	3,152,046
Procurement and shipping	250,321	2,608,580	11,071	7,719	-	1,703	2,879,394	-	-	2,879,394
Occupancy costs	894,403	494,548	106,213	204,584	4,110	590,144	2,294,002	505,010	-	2,799,012
Telecom	727,043	320,588	178,780	169,972	41,038	106,158	1,543,579	155,955	4,549	1,704,083
In-kind expenses	-	-	-	-	-	861,382	861,382	904,146	-	1,765,528
Other expenses	77,631	41,630	15,833	342,975	591	2,757	481,417	215,540	60	697,017
Bank and other fees	98,827	88,612	22,807	25,883	509	44,256	280,894	180,047	-	460,941
Depreciation	2,136	9,559	1,183	7,810	-	27,869	48,557	35,266	-	83,823
Total	\$ 63,061,757	\$ 43,461,292	\$ 18,986,643	\$ 16,581,830	\$ 3,255,334	\$ 3,401,623	\$ 148,748,479	\$ 11,177,691	\$ 607,810	\$ 160,533,980

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years Ended December 31,

	2019	2018
Cash flows from operating activities:		
Increase in net assets	\$ 2,828,225	\$ 17,223,181
Adjustments to reconcile net assets provided by (used in) operating activities:		
Depreciation	170,883	83,824
Changes in:		
Advances and deposits	160,234	(273,932)
Contributions receivable	1,541,113	(153,574)
Grants receivable	(5,283,012)	878,194
Prepaid expenses	1,012,594	1,517,042
Accounts payable	1,117,126	1,337,116
Accrued expenses	642,125	2,039,337
Deferred revenue	(8,144,023)	2,469,241
	(5,954,735)	25,120,429
Cash flows from investing activities:		
Purchase of property and equipment	(336,816)	(19,322)
	(336,816)	(19,322)
Increase (decrease) in cash and cash equivalents	(6,291,551)	25,101,107
Cash and cash equivalents (including amounts limited as to use), beginning of year	97,905,983	72,804,876
Cash and cash equivalents (including amounts limited as to use), end of year	\$ 91,614,432	\$ 97,905,983

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. CHAI was founded in 2002 with the transformational goal of saving the lives of millions of people living with HIV/AIDS. Today, in addition to HIV, CHAI works with partners to prevent and treat malaria, tuberculosis, hepatitis and cancer, accelerate the rollout of lifesaving vaccines, reduce maternal, infant, and child mortality, combat chronic malnutrition and strengthen health systems. CHAI operates in over 30 countries around the world and more than 80 countries have access to CHAI-negotiated deals on medications, diagnostics, vaccines, and other health tools.

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. These subsidiaries 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 that it has concluded that the elements of control and evidence of economic interest exist that requires consolidated presentation. All significant intercompany balances have been eliminated in consolidation.

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

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America which require that CHAI report financial information regarding its financial position and activities.

Classification of Net Assets

CHAI reports its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of CHAI and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for general use and not subject to donor restrictions. Net assets without donor restrictions include the investment in property and equipment, net of accumulated depreciation.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. CHAI's donor-imposed restrictions are generally program restricted in nature and thus such resources are reflected as released from restrictions as funds are expended for intended purposes.

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. Cash and cash equivalents are stated at cost plus accrued interest. 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. Certain cash and cash equivalents are held in interest bearing accounts to effect better interest income. Interest bearing accounts are primarily comprised of amounts limited as to use as described below, however some of those funds are for operating purposes.

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 and accounted for as above. These balances reflect the cumulative cash advanced under grant and contribution agreements, net of amounts incurred to date. Management considers these amounts to be limited as to use in that future expenses are required to be incurred prior to such funds being available for general corporate purposes. These accounts are subject to like exposures as cash and cash equivalents as described above.

Advances and Deposits

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.

Contributions and Grants Receivable

Contributions from donors are stated at estimated net realizable value. Grants and contributions receivable represent amounts due from various parties for costs incurred and unpaid at year end under various grant agreements. A major portion of these funds is unbilled at year end given the normal practice to finalize cost prior to actual invoicing. CHAI has concluded that no allowance for contributions and 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. Such supplies and materials are reflected as program costs when transferred to a site for local use.

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 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 when the useful life is over one year and such amounts exceed a management established capitalization threshold. Property and equipment are 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 under grant agreements. Such amounts will be reported as revenue when earned which generally means that actual costs have been incurred associated with the related program service.

In addition to these advances, CHAI has conditional promises to receive resources of approximately \$221,072,000 and \$277,448,000 at December 31, 2019 and 2018, respectively, from grantors to fund future service delivery activities. For the years ended December 31, 2019 and 2018, two and four donors accounted for approximately 54% and 70% of total conditional promises to give, respectively. Assets or revenue associated with these commitments will not be recognized until underlying costs are incurred. These amounts are subject to future evaluation from the donor and contingent upon CHAI's satisfactory progress toward mutually agreed-upon objectives.

Revenue Recognition

Gifts of cash and other assets received without donor stipulations are reported as revenue without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue with donor restrictions. Contributions received in the form of pledges are recorded as revenue at the estimated fair value when verifiably committed. The fair value and carrying value of contributions have been the same given positive collection history and short-term nature of pledged amounts. Management provides for probable uncollectable amounts through a charge to expense and a credit to accounts, grants or contributions receivable. Historically, the charge-off of uncollectable amounts has not had a material impact on the consolidated financial statements and, as such, no valuation allowance has been established. Funds with donor restriction resources are generally released from restriction into funds without donor restrictions as direct programmatic expenditures are incurred along with amounts allowable for overhead.

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.

Support funded by grants is recognized as revenue as CHAI incurs costs associated for program 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 un-invoiced amounts are recorded in grants receivable as such costs are incurred or in the case when grants that are funded in advance as a reduction in the associated deferred revenue from such grantor.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Revenue Recognition (Continued)

Grant activities and outlays are subject to audit and acceptance by the granting party and, as a result of such audit, adjustments could be required. Management believes that all amounts presented represent allowable costs.

CHAI receives certain donated services from various parties. CHAI recognizes these amounts as revenue and expenses when the recognition criteria are met for recordation at their estimated fair value.

Other revenue primarily relates to interest income associated with cash and cash equivalents. Certain of these funds are required to be used for programmatic purposes.

Income Tax Status

CHAI is a nonprofit corporation which has been recognized by the Internal Revenue Service as generally exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. CHAI similarly seeks to operate on an exempt basis in its various locations 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 and its determination of its revenues being related or unrelated as its only significant tax positions and has determined that such tax positions do 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 filing of the related return. CHAI’s foreign tax returns are subject to examination by local government authorities under applicable local law. CHAI is not aware of any pending examination by any such authority.

Use of Judgments and Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make 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. 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)

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. The consolidated statements of functional expenses present the natural classification detail by function. 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 to United States Dollars

Assets and liabilities that have a local functional currency are translated to United States 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. Transactions are recorded at exchange rates prevailing during the year.

The aggregate foreign currency loss was approximately \$21,000 and \$40,000 in 2019 and 2018, respectively, and is included in "bank and other fees" on the consolidated statements of functional expenses.

Reclassifications

Certain reclassifications have been made to the 2018 financial statements in order to conform to the current presentation. Such reclassifications had no effect on net changes in net assets.

Newly Adopted Accounting Pronouncements

For the year ended December 31, 2019, CHAI adopted Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*.

The contribution standard addresses inconsistency in revenue recognition when an item should be considered a contribution or an exchange type transaction. Exchanges would be accounted for using the revenue recognition standards in other accounting literature. It also provides guidance as to when a contribution should be considered conditional which, for example, is often the case when funds are received under government grants and contract or when there is limited discretion in the use of funds. Conditional contributions have different revenue recognition when compared to non-reciprocal transfers of resources in that amounts are reflected as earned when barriers to entitlement are overcome, with any difference being deferred or a receivable as applicable. In the case of CHAI, this generally translates into the incurring of costs associated with a particular grant agreement in accord with a specified framework of allowable costs or in concurrent agreement with the donor, both of which limit the discretion over the use of funds.

The primary effect of the adoption of this ASU for CHAI is that certain awards received that were previously treated as unconditional are now treated as conditional. As a result, revenue for these awards is recognized when the conditions are met during the award term, where previously revenue had been recognized when the awards were received.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Newly Adopted Accounting Pronouncements (Continued)

The contribution standard was applied using the modified retrospective method. This method was applied to transactions that were not complete or had otherwise already been recognized as of the beginning of fiscal year 2019. A summary of the changes resulting from the adoption of ASU 2018-08 as of January 1, 2019 are as follows:

	<u>January 1, 2019</u>		
	<u>Beginning Balance</u>	<u>Restatement</u>	<u>Ending Balance</u>
Assets			
Contributions receivable	\$ 1,541,113	\$ (1,541,113)	\$ -
Grants receivable	1,890,100	1,541,113	3,431,213
Liabilities			
Deferred revenue	23,587,992	64,470,725	88,058,717
Net Assets			
Without donor restrictions	5,342,816	-	5,342,816
With donor restrictions	67,085,347	(64,470,725)	2,614,622

In addition, certain changes from adopting these new standards resulted in changes to terminology which impacted certain disclosures and presentation of amounts.

CHAI also adopted ASU 2016-18, *Statement of Cash Flows: Restricted Cash*. This standard requires that when cash, cash equivalents, restricted cash, and restricted cash equivalents are presented in more than one line item within the balance sheet by an entity, the entity shall either (1) present on the face of the statements of cash flows on a combined basis, or (2) disclose in a narrative or tabular format in the notes to the financial statements the amounts, disaggregated by balance sheet line item, of cash, cash equivalents, restricted cash, and restricted cash equivalents at the balance sheet date that sum to the total of cash, cash equivalents, restricted cash, and restricted cash equivalents presented on the statements of cash flows. The amounts presented in the 2018 consolidated statement of cash flows have been reclassified as a result of this ASU to conform with the current presentation.

Newly Proposed Accounting Pronouncements

CHAI has considered other pending accounting pronouncements and views ASU 2019-01, *Leases* as a standard expected to have an impact on future presentation. The standard requires a lessee to recognize a right-of-use asset and a lease liability for all leases, initially measured at the present value of the lease payments, in its statement of financial position. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. The guidance also expands the required quantitative and qualitative disclosures surrounding leases. The ASU is effective for fiscal year 2022 for CHAI. CHAI is evaluating the impact of the new guidance on the consolidated financial statements. CHAI considers other pending new standards as not likely to have a material impact.

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 June 17, 2020, the date that the consolidated financial statements were authorized to be issued. Except as noted below, there were no events that occurred through that date that required recognition or disclosure.

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus ("COVID-19") as a "pandemic". As of the date of issuance of the consolidated financial statements, CHAI's programmatic activities have been impacted by travel restrictions, shelter in place and other limitations with personnel working remotely when practicable. Certain donors have assisted in allowing the redirection of funds for continuing costs and COVID-19 needs in-country based on immediate needs as requested by local governments and other leading parties. The majority of CHAI funds for programs are committed in advance and there has not been any material impact on funding after year end; however, future operations could be impacted by future actions by funders, restrictions over operations in various locations and changes in counterparty credit risk associated with cash and cash equivalents. CHAI continues to monitor the situation.

Note 2 - Liquidity and Availability

CHAI regularly monitors liquidity to meet its operating needs and other contractual commitments and has various sources of liquidity at its disposal, including cash and cash equivalents.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, CHAI considers all expenditures related to its ongoing program activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

In addition to the financial assets available to meet general expenditures over the next 12 months, CHAI seeks to operate with at least a balanced operating budget and anticipates collecting sufficient revenue to cover general expenditures. Most funders pay in advance, so CHAI generally has the liquidity to operate and scale operations as needed without reliance on other accumulated resources.

As of December 31, 2019, the following financial assets could readily be made available within one year of the consolidated statement of financial position date to meet general expenditures:

Cash and cash equivalents	\$ 11,076,829
Cash and cash equivalents limited as to use	80,537,603
Grants receivable due in one year or less	7,173,112
	<hr/>
	\$ 98,787,544

Management has included cash and cash equivalents limited as to use in the above table as such advances will be utilized for core program activities; however, such funds are limited to their intended purposes.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 3 - Property and Equipment

Property and equipment consist of the following at December 31:

	2019	2018
Furniture and equipment	\$ 872,656	\$ 862,899
Vehicles	1,333,443	1,297,002
Buildings and fixtures	466,638	176,020
	<u>2,672,737</u>	<u>2,335,921</u>
Less: accumulated depreciation	<u>2,367,513</u>	<u>2,196,630</u>
Property and equipment, net	<u>\$ 305,224</u>	<u>\$ 139,291</u>

Note 4 - Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions consist of the following at December 31:

	2019	2018
Net investment in plant	\$ 305,224	\$ 139,291
Unallocated	<u>9,857,529</u>	<u>5,203,525</u>
Net assets without donor restrictions	<u>\$ 10,162,753</u>	<u>\$ 5,342,816</u>

Net Assets With Donor Restrictions

Net assets with donor restrictions are for the purpose of international health programs and amounted to \$622,910 and \$67,085,347 as of December 31, 2019 and 2018, respectively.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 5 - 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 \$4,241,518 and \$3,527,378 for the years ended December 31, 2019 and 2018, respectively.

Note 6 - Concentrations, Commitments and Contingencies

Assets in Foreign Countries

CHAI maintains cash balances and equipment in Asia, Africa and the Caribbean. CHAI had approximately \$3.2 million and \$2.6 million deposited in foreign banks at December 31, 2019 and 2018, respectively. Certain of 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 in property and equipment, net at December 31, 2019 and 2018.

Concentration of Contributions and Grant Revenue

Four donors accounted for approximately 67% and 69% of total revenue for the years ended December 31, 2019 and 2018, respectively, with one donor accounting for approximately 33% and 37% in those respective years.

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

	2019	2018
Government and multilaterals	39%	40%
Private foundations	59%	58%
Other donors	2%	2%
Total	100%	100%

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 6 - Concentrations, Commitments and Contingencies (Continued)

Concentration of Contributions and Grant Revenue (Continued)

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 of resources and other circumstances that may impact operations. 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 2025. 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 \$1,962,431 and \$3,572,377 for 2019 and 2018, respectively. Minimum future rental payments under the non-cancelable operating leases for each of the remaining years and in the aggregate are:

2020	\$ 1,134,767
2021	386,252
2022	164,594
2023	164,594
2024	71,293
Thereafter	<u>13,840</u>
Total minimum lease payments	<u>\$ 1,935,340</u>

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.

International Operations

CHAI operates in numerous jurisdictions and continually seeks to comply with all local laws and regulations regarding corporate, employee and other matters. Management effects changes in local laws as soon as administratively practicable.

Supplemental Information

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Schedule of Expenditures of Federal Awards

Year Ended December 31, 2019

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures</i>
U.S. Department of Health and Human Services:			
Centers for Disease Control and Prevention Pass-Through Programs			
Pass through Catholic Relief Services			
Global AIDS	93.067	NU2GGH001463	\$ 763,812
Total U.S. Department of Health and Human Services Pass-Through Programs			<u>763,812</u>
U.S. Agency for International Development:			
USAID Foreign Assistance for Program Overseas			
Foreign Assistance Program	98.001		<u>2,853,027</u>
Total U.S. Agency for International Development			<u>2,853,027</u>
Total Expenditures of Federal Awards			<u>\$ 3,616,839</u>

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Schedule of Expenditures of Federal Awards

Year Ended December 31, 2019

Note 1 - Basis of Presentation

The accompanying Consolidated Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Clinton Health Access Initiative, Inc. and Subsidiaries ("CHAI") under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of CHAI, it is not intended to and does not present the financial position, changes in net assets or cash flows of CHAI.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. CHAI has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Reporting Under Government Auditing Standards



Mayer Hoffman McCann P.C.
500 Boylston Street ■ Boston, MA 02116
Main: 617.761.0600 ■ Fax: 617.761.0601
www.cbiz.com/newengland

*Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards*

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

We have audited, in accordance with the 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, the consolidated financial statements of Clinton Health Access Initiative, Inc. and Subsidiaries ("CHAI"), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 17, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered CHAI's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of CHAI's internal control. Accordingly, we do not express an opinion on the effectiveness of CHAI's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether CHAI's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maya Heyman McCann P.C.

June 17, 2020
Boston, Massachusetts

Reporting Under the Uniform Guidance



*Independent Auditors' Report on Compliance For Each Major Federal Program
and Report on Internal Control Over Compliance Required by the Uniform Guidance*

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

Report on Compliance for Each Major Federal Program

We have audited Clinton Health Access Initiative, Inc.'s and Subsidiaries ("CHAI") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on CHAI's major federal programs for the year ended December 31, 2019. CHAI's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for CHAI's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CHAI's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of CHAI's compliance.

Opinion on Each Major Federal Program

In our opinion, CHAI complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2019.



Report on Internal Control Over Compliance

Management of CHAI is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CHAI's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CHAI's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Maye Hoffman McCann P.C.

June 17, 2020
Boston, Massachusetts

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Schedule of Findings and Questioned Costs

Year Ended December 31, 2019

Section 1

Summary of Auditors' Results

Consolidated Financial Statements

- | | |
|--|---------------|
| 1. Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with GAAP: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None Reported |
| 3. Noncompliance material to consolidated financial statements noted? | No |

Federal Awards

- | | |
|---|---------------|
| 1. Internal control over major federal programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None Reported |
| 2. Type of auditors' report issued on compliance for major federal programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 4. Identification of major federal programs: | |

CFDA Number

Name of Federal Program or Cluster

93.067

Global AIDS

98.001

USAID Foreign Assistance
for Programs Overseas

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 6. Auditee qualified as a low-risk auditee? | Yes |

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Schedule of Findings and Questioned Costs

Year Ended December 31, 2019

Section 2

Financial Statement Findings

None noted.

Section 3

Federal Award Findings and Questioned Costs

None noted.