



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

December 31, 2020 and 2019



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, 2020 and 2019, 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, 2020 and 2019, 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.

Maye Hoffman McCann P.C.

June 1, 2021
Boston, Massachusetts

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position

December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 17,310,119	\$ 11,076,829
Cash and cash equivalents limited as to use	92,964,395	80,537,603
Advances and deposits	1,222,518	725,767
Grants receivable	3,381,471	7,173,112
Prepaid expenses	1,488,518	2,552,041
Property and equipment	193,775	305,224
	<hr/>	<hr/>
Total assets	<u>\$ 116,560,796</u>	<u>\$ 102,370,576</u>
Liabilities and Net Assets		
Accounts payable	\$ 5,539,686	\$ 6,366,218
Accrued expenses	8,192,417	5,304,001
Deferred revenue	92,627,321	79,914,694
	<hr/>	<hr/>
Total liabilities	<u>106,359,424</u>	<u>91,584,913</u>
Net assets:		
Without donor restrictions	9,864,298	10,162,753
With donor restrictions	337,074	622,910
	<hr/>	<hr/>
Total net assets	<u>10,201,372</u>	<u>10,785,663</u>
Total liabilities and net assets	<u>\$ 116,560,796</u>	<u>\$ 102,370,576</u>

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Statement of Activities

*Year Ended December 31, 2020
(with comparative totals for 2019)*

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues and support:				
Contributions	\$ 632,088	\$ 157,698	\$ 789,786	\$ 1,371,556
Grants	196,994,197	-	196,994,197	187,828,375
In-kind contributions	4,773,269	-	4,773,269	1,921,338
Other	302,800	471	303,271	1,124,356
Net assets released from restrictions	444,005	(444,005)	-	-
	203,146,359	(285,836)	202,860,523	192,245,625
Total revenues, gains and other support				
Expenses:				
Program services	186,996,041	-	186,996,041	175,781,700
Management and general	15,909,953	-	15,909,953	13,048,395
Fundraising	538,820	-	538,820	587,305
	203,444,814	-	203,444,814	189,417,400
Total expenses				
Increase (decrease) in net assets	(298,455)	(285,836)	(584,291)	2,828,225
Net assets, beginning of year	10,162,753	622,910	10,785,663	7,957,438
Net assets, end of year	\$ 9,864,298	\$ 337,074	\$ 10,201,372	\$ 10,785,663

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Statement of Activities

Year Ended December 31, 2019

	2019		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Revenues and support:			
Contributions	\$ 898,252	\$ 473,304	\$ 1,371,556
Grants	187,828,375	-	187,828,375
In-kind contributions	1,921,338	-	1,921,338
Other	1,124,356	-	1,124,356
Net assets released from restrictions	2,465,016	(2,465,016)	-
	<hr/>	<hr/>	<hr/>
Total revenues, gains and other support	194,237,337	(1,991,712)	192,245,625
	<hr/>	<hr/>	<hr/>
Expenses:			
Program services	175,781,700	-	175,781,700
Management and general	13,048,395	-	13,048,395
Fundraising	587,305	-	587,305
	<hr/>	<hr/>	<hr/>
Total expenses	189,417,400	-	189,417,400
	<hr/>	<hr/>	<hr/>
Increase (decrease) in net assets	4,819,937	(1,991,712)	2,828,225
	<hr/>	<hr/>	<hr/>
Net assets, beginning of year	5,342,816	2,614,622	7,957,438
	<hr/>	<hr/>	<hr/>
Net assets, end of year	\$ 10,162,753	\$ 622,910	\$ 10,785,663
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CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

Year Ended December 31, 2020
(with comparative totals for 2019)

	2020							2019			
	Program Services							Management and General	Fundraising	Total	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	\$ 44,227,780	\$ 21,809,180	\$ 13,402,750	\$ 10,205,994	\$ 2,748,965	\$ 734,583	\$ 93,129,252	\$ 12,924,434	\$ 470,055	\$ 106,523,741	\$ 93,014,169
Subcontracts and bulk program supplies	20,394,922	8,970,017	1,237,044	2,952,051	1,812,639	23,992	35,390,665	73,296	21,288	35,485,249	32,518,334
Travel, meetings and trainings	9,521,988	6,715,530	2,178,035	2,062,135	204,414	47,035	20,729,137	159,904	5,615	20,894,656	35,869,956
Professional and consulting fees	4,448,236	2,174,638	1,255,169	1,347,312	148,476	207,925	9,581,756	1,064,658	15,079	10,661,493	8,979,668
Procurement and shipping	6,332,672	4,249,153	4,597	6,589	60	13,021	10,606,092	540	-	10,606,632	3,749,319
Program equipment and infrastructure	1,724,215	2,923,728	27,584	143,024	389	71,263	4,890,203	98	-	4,890,301	3,859,730
In-kind expenses	3,125,074	1,020,230	-	-	-	-	4,145,304	627,965	-	4,773,269	1,921,338
Office expenses	1,683,210	915,241	363,725	396,044	54,095	348,941	3,761,256	136,498	15,952	3,913,706	3,759,709
Occupancy costs	928,131	453,470	154,938	227,122	13,401	866,851	2,643,913	533,775	6,521	3,184,209	3,104,898
Telecom	678,410	314,947	191,687	140,915	35,658	117,009	1,478,626	128,859	4,299	1,611,784	1,689,789
Bank fees and other expenses	311,171	77,041	50,403	28,503	4,590	139,129	610,837	118,010	11	728,858	779,607
Depreciation	1,517	3,704	68	59	-	23,652	29,000	141,916	-	170,916	170,883
Total	\$ 93,377,326	\$ 49,626,879	\$ 18,866,000	\$ 17,509,748	\$ 5,022,687	\$ 2,593,401	\$ 186,996,041	\$ 15,909,953	\$ 538,820	\$ 203,444,814	\$ 189,417,400

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

Year Ended December 31, 2019

	2019									
	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
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
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
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
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
Procurement and shipping	649,700	3,060,723	19,886	16,894	213	1,903	3,749,319	-	-	3,749,319
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
In-kind expenses	-	-	-	-	-	1,235,283	1,235,283	686,055	-	1,921,338
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
Occupancy costs	914,652	718,557	192,709	208,825	8,400	566,081	2,609,224	495,674	-	3,104,898
Telecom	661,957	373,735	201,759	158,662	61,739	86,851	1,544,703	140,433	4,653	1,689,789
Bank fees and other expenses	182,543	72,103	48,906	39,560	3,565	49,803	396,480	378,818	4,309	779,607
Depreciation	-	9,633	-	-	-	21,565	31,198	139,685	-	170,883
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

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (584,291)	\$ 2,828,225
Adjustments to reconcile net assets provided by (used in) operating activities:		
Depreciation	170,916	170,883
Changes in:		
Advances and deposits	(496,751)	160,234
Contributions receivable	-	1,541,113
Grants receivable	3,791,641	(5,283,012)
Prepaid expenses	1,063,523	1,012,594
Accounts payable	(826,532)	1,117,126
Accrued expenses	2,888,416	642,125
Deferred revenue	12,712,627	(8,144,023)
	18,719,549	(5,954,735)
Cash flows used in investing activities:		
Purchase of property and equipment	(59,467)	(336,816)
	(59,467)	(336,816)
Increase (decrease) in cash and cash equivalents	18,660,082	(6,291,551)
Cash and cash equivalents (including amounts limited as to use), beginning of year	91,614,432	97,905,983
Cash and cash equivalents (including amounts limited as to use), end of year	\$110,274,514	\$ 91,614,432

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 35 countries around the world and more than 125 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 entities established in the countries in which it operates to facilitate on-the-ground service delivery. These entities are in most cases under control of CHAI via appointment of members to the board of the local entity along with funding being substantially from CHAI. Certain entities are legally independent, however management has included such entities as consolidated under United States Generally Accepted Accounting Standards. This treatment was determined to be appropriate as CHAI represents the overwhelming funder with CHAI advancing enough resources for immediate needs and/or CHAI being the key funder as well as facilitator of local fundraising efforts for support in-country in collaboration with its worldwide funders. 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. 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 reflect the cumulative cash advanced under grant and contribution agreements, net of amounts incurred to date. These accounts follow the same practices as cash and cash equivalents above and are subject to like exposures. Management considers these amounts to be limited in that these resources are only available once future expenses are incurred prior to such funds being available for general corporate purposes.

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.

Grants Receivable

Grants receivable represent amounts due from various parties for costs incurred and unpaid at year end under various grant agreements that provide for the invoicing of costs after costs have been incurred. A major portion of these funds is unbilled at year end given the normal practice to finalize cost prior to invoicing the granting party. CHAI has concluded that no allowance for grants receivable is necessary based on review of the outstanding amounts, 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

Corporate Property and Equipment

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.

Program Property and Equipment

Property and equipment purchased with direct program funds are 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.

Deferred Revenue

Deferred revenue represents funds received in advance for delivery of program services under grant agreements. Such amounts have been accounted for as conditioned on incurring costs for the related program at which time amounts will be recorded as grant revenue.

In addition to these advances, CHAI also has conditional promises to receive resources of approximately \$297,370,000 and \$221,072,000 at December 31, 2020 and 2019, respectively, from grantors to fund future service delivery activities. For the years ended December 31, 2020 and 2019, three and two donors accounted for approximately 74% and 54% 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

Grant Revenue

Support funded by grants is generally considered conditioned until a barrier to entitlement is met which generally relates to costs being incurred for program services in order to recognize amounts as revenue. 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 are funded in advance, as a reduction in the associated deferred revenue from such grantor.

In addition, CHAI has a substantial amount of future grant funding, which is conditioned on the occurrence of a specified future and uncertain event to bind the potential donor. This funding is recognized as revenue when the conditions are substantially met and the gift becomes unconditional. In the case of CHAI, that would include the funder continuing to approve funding based on outcomes, as well as incurred costs as indicated above.

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)

Contribution Revenue

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. Management provides for probable uncollectable amounts through a charge to expense and a credit to accounts or grants 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.

In-Kind Contribution Revenue

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

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 and State income taxes on its related income under Section 501(c)(3) of the Internal Revenue Code. CHAI similarly operates predominately on an exempt basis when such treatment is available in its various locations of operation in accordance with local laws. Accordingly, income tax disclosures have been excluded given their limited amounts 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 material pending tax issues with U.S. or other authorities that would impact recorded amounts in these 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)

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.

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 gain (loss) was approximately \$45,000 and (\$21,000) in 2020 and 2019, respectively, and is included in "bank and other fees" on the consolidated statements of functional expenses.

Pending Accounting Pronouncements

CHAI has considered pending accounting pronouncements and views Accounting Standards Update ("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.

Subsequent Events

CHAI has evaluated subsequent events through June 1, 2021, the date that the consolidated financial statements were authorized to be issued. An event as described in Note 6 required recognition subsequent to year-end. Other than as noted, no events that occurred through that date required recognition or disclosure.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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.

The following financial assets could readily be made available within one year of the consolidated statement of financial position date to meet general expenditures:

	2020	2019
Cash and cash equivalents	\$ 13,254,354	\$11,076,829
Cash and cash equivalents limited as to use	97,020,160	80,537,603
Grants receivable due in one year or less	3,381,471	7,173,112
	<u>\$ 113,655,985</u>	<u>\$ 98,787,544</u>

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.

Note 3 - Property and Equipment

Property and equipment consist of the following at December 31:

	2020	2019
Furniture and equipment	\$ 952,792	\$ 872,656
Vehicles	1,312,774	1,333,443
Buildings and fixtures	466,638	466,638
	<u>2,732,204</u>	<u>2,672,737</u>
Less: accumulated depreciation	<u>2,538,429</u>	<u>2,367,513</u>
Property and equipment, net	<u>\$ 193,775</u>	<u>\$ 305,224</u>

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 4 - Net Assets

Net Assets Without Donor Restrictions

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

	2020	2019
Net investment in plant	\$ 193,775	\$ 305,224
Unallocated	<u>9,670,523</u>	<u>9,857,529</u>
Net assets without donor restrictions	<u>\$ 9,864,298</u>	<u>\$ 10,162,753</u>

Net Assets With Donor Restrictions

Net assets with donor restrictions are for the purpose of international health programs and amounted to \$337,074 and \$622,910 as of December 31, 2020 and 2019, respectively.

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 \$4,635,466 and \$4,241,518 for the years ended December 31, 2020 and 2019, respectively.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 6 - Concentrations, Commitments and Contingencies

Assets in Foreign Countries

CHAI maintains cash balances and equipment in Asia, Africa, Europe and the Caribbean. CHAI had approximately \$4.7 million and \$3.2 million deposited in foreign banks at December 31, 2020 and 2019, 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, 2020 and 2019.

Concentration of Revenue

Four grantors accounted for approximately 64% and 67% of total revenue for the years ended December 31, 2020 and 2019, respectively, with one donor accounting for approximately 31% and 33% in those respective years.

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

	2020	2019
Government and multilaterals	41%	39%
Private foundations	56%	59%
Other donors	3%	2%
	<hr/>	<hr/>
Total	100%	100%

CHAI country operations are dependent primarily on 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.

COVID-19 Pandemic

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; 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.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 6 - Concentrations, Commitments and Contingencies (Continued)

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 seeks to effect changes in its practices associated with local laws when such laws are effective.

In early 2021, CHAI became aware of certain payroll tax and related withholdings in one of its operating countries that had been paid to its payroll provider but not credited and received by government authorities in 2018, 2019 and 2020. CHAI has accrued a loss of \$2.5 million for this and is actively investigating the matter. Management is working with the state governments and will pay all agreed-upon amounts while it investigates and pursues recovery of such amounts from its contractors, insurance or other parties that may be determined to be responsible; however, no amounts have been recorded associated with these potential recoveries.

Litigation

CHAI is also 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.

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 cancelation rights. Rental expense for all operating leases was \$1,105,216 and \$1,962,431 for 2020 and 2019, respectively. Minimum future rental payments under the non-cancelable operating leases for each of the remaining years and in the aggregate are:

2021	\$	386,252
2022		164,594
2023		164,594
2024		71,293
2025		<u>13,840</u>
Total minimum lease payments	\$	<u>800,573</u>