



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

**December 31, 2022 and 2021**



# 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

### ***Opinion***

We have audited the consolidated financial statements of Clinton Health Access Initiative, Inc. and Subsidiaries ("CHAI"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of CHAI as of December 31, 2022 and 2021, 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.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of CHAI and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Change in Accounting Principle***

As discussed in Note 1 to the consolidated financial statements, CHAI changed its method of accounting for leases as a result of the adoption of Accounting Standards Codification Topic 842, *Leases*, effective January 1, 2022, under the modified retrospective transition method. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CHAI's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

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### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CHAI's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CHAI's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Maya Heyman McCann P.C.*

July 31, 2023  
Boston, Massachusetts

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

***Consolidated Statements of Financial Position***

***December 31, 2022 and 2021***

	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 971,127	\$ 14,615,257
Cash and cash equivalents limited as to use	114,818,257	108,342,070
Advances and deposits	5,669,405	1,773,519
Grants receivable	14,268,881	5,995,702
Prepaid expenses	3,003,062	1,765,326
Operating lease right-of-use asset	1,359,225	-
Property and equipment	284,832	245,053
	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ 140,374,789</b>	<b>\$ 132,736,927</b>
	<hr/>	<hr/>
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 6,230,023	\$ 6,313,656
Accrued expenses and other liabilities	8,299,189	7,538,211
Operating lease liability	1,275,666	-
Deferred revenue	112,593,086	106,067,327
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>128,397,964</b>	<b>119,919,194</b>
	<hr/>	<hr/>
Net assets:		
Without donor restrictions	9,712,264	10,542,989
With donor restrictions	2,264,561	2,274,744
	<hr/>	<hr/>
<b>Total net assets</b>	<b>11,976,825</b>	<b>12,817,733</b>
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<b>Total liabilities and net assets</b>	<b>\$ 140,374,789</b>	<b>\$ 132,736,927</b>
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**CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES**

**Consolidated Statement of Activities**

*Year Ended December 31, 2022  
(with comparative totals for 2021)*

	<b>2022</b>		<b>2021</b>	
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Total</b>
<b>Revenues and support:</b>				
Contributions	\$ 629,699	\$ 1,896,249	\$ 2,525,948	\$ 3,082,136
Grants	-	222,111,765	222,111,765	217,227,970
In-kind contributions	1,734,187	-	1,734,187	1,618,438
Other	447,473	3,255	450,728	124,693
Net assets released from restrictions	224,021,452	(224,021,452)	-	-
<b>Total revenues, gains and other support</b>	<b>226,832,811</b>	<b>(10,183)</b>	<b>226,822,628</b>	<b>222,053,237</b>
<b>Expenses:</b>				
Program services	210,435,557	-	210,435,557	203,267,889
Management and general	16,662,696	-	16,662,696	15,454,340
Fundraising	565,283	-	565,283	714,647
<b>Total expenses</b>	<b>227,663,536</b>	<b>-</b>	<b>227,663,536</b>	<b>219,436,876</b>
<b>Change in net assets</b>	<b>(830,725)</b>	<b>(10,183)</b>	<b>(840,908)</b>	<b>2,616,361</b>
Net assets, beginning of year	10,542,989	2,274,744	12,817,733	10,201,372
<b>Net assets, end of year</b>	<b>\$ 9,712,264</b>	<b>\$ 2,264,561</b>	<b>\$ 11,976,825</b>	<b>\$ 12,817,733</b>

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

***Consolidated Statement of Activities***

***Year Ended December 31, 2021***

	<b>2021</b>		
	<b><i>Without Donor Restrictions</i></b>	<b><i>With Donor Restrictions</i></b>	<b><i>Total</i></b>
<b>Revenues and support:</b>			
Contributions	\$ 970,580	\$ 2,111,556	\$ 3,082,136
Grants	-	217,227,970	217,227,970
In-kind contributions	1,618,438	-	1,618,438
Other	103,555	21,138	124,693
Net assets released from restrictions	217,422,994	(217,422,994)	-
	<b>220,115,567</b>	<b>1,937,670</b>	<b>222,053,237</b>
<b>Total revenues, gains and other support</b>			
<b>Expenses:</b>			
Program services	203,267,889	-	203,267,889
Management and general	15,454,340	-	15,454,340
Fundraising	714,647	-	714,647
	<b>219,436,876</b>	<b>-</b>	<b>219,436,876</b>
<b>Total expenses</b>			
<b>Change in net assets</b>	<b>678,691</b>	<b>1,937,670</b>	<b>2,616,361</b>
Net assets, beginning of year	9,864,298	337,074	10,201,372
<b>Net assets, end of year</b>	<b>\$ 10,542,989</b>	<b>\$ 2,274,744</b>	<b>\$ 12,817,733</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, 2022  
(with comparative totals for 2021)

	2022										2021	
	Program Services						Total		Management and General	Fundraising	Total	Total
Infectious Diseases	Sexual, Reproductive, Maternal, Newborn and Child Health	Non-Communicable Diseases	Achieving Universal Coverage	Market Shaping	Innovation	Other Program Services	Program Services					
Salaries and benefits	\$ 51,045,104	\$ 13,011,179	\$ 18,030,680	\$ 13,647,061	\$ 940,815	\$ 220,176	\$ 2,091,655	\$ 98,986,670	\$ 13,338,477	\$ 486,869	\$ 112,812,016	\$ 111,564,494
Subcontracts and bulk program supplies	25,967,692	9,084,809	4,473,995	1,896,568	1,200,003	6,006	300,923	42,929,996	70,396	30,492	43,030,884	45,521,464
Travel, meetings and trainings	17,935,538	5,188,882	5,623,621	3,949,854	51,572	13,762	451,318	33,214,547	540,614	20,222	33,775,383	22,994,617
Professional and consulting fees	7,453,494	1,471,190	2,125,831	1,532,129	321,188	80,148	571,691	13,555,671	1,385,785	11,187	14,952,643	11,760,745
Procurement and shipping	2,238,447	556,051	2,196,776	4,024	-	-	148,874	5,144,172	1,298	-	5,145,470	10,116,501
Program equipment and infrastructure	3,366,342	254,843	903,995	383,474	-	-	7,103	4,915,757	259	-	4,916,016	4,956,127
In-kind expenses	715,986	816,671	-	-	-	-	-	1,532,657	201,530	-	1,734,187	1,618,439
Office expenses	2,160,441	657,580	861,764	638,658	14,107	4,225	618,830	4,955,605	278,224	12,915	5,246,744	4,396,149
Occupancy costs	929,387	293,901	199,525	389,735	16	32	714,711	2,527,307	584,269	-	3,111,576	3,269,596
Telecom	851,108	194,200	230,756	229,716	10,728	1,655	133,976	1,652,139	135,853	3,470	1,791,462	1,881,637
Bank fees and other expenses	518,134	75,723	78,564	96,512	2,882	3,510	108,806	884,131	73,354	27	957,512	1,248,478
Carbon offsetting	90,701	5,079	-	17,172	-	-	-	112,952	-	101	113,053	-
Depreciation	3,242	409	1,089	4,538	-	-	14,675	23,953	52,637	-	76,590	108,629
<b>Total</b>	<b>\$ 113,275,616</b>	<b>\$ 31,610,517</b>	<b>\$ 34,726,596</b>	<b>\$ 22,789,441</b>	<b>\$ 2,541,311</b>	<b>\$ 329,514</b>	<b>\$ 5,162,562</b>	<b>\$ 210,435,557</b>	<b>\$ 16,662,696</b>	<b>\$ 565,283</b>	<b>\$ 227,663,536</b>	<b>\$ 219,436,876</b>



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

**Consolidated Statement of Functional Expenses**

Year Ended December 31, 2021

2021

	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	\$ 46,938,908	\$ 20,623,412	\$ 14,759,195	\$ 12,545,737	\$ 2,638,695	\$ 762,232	\$ 98,268,179	\$ 12,651,241	\$ 645,074	\$ 111,564,494
Subcontracts and bulk program supplies	28,769,096	10,292,222	1,738,841	2,182,968	2,391,712	68,045	45,442,884	73,097	5,483	45,521,464
Travel, meetings and trainings	11,689,534	5,420,196	2,941,381	2,502,853	140,428	145,907	22,840,299	145,100	9,218	22,994,617
Professional and consulting fees	5,154,420	2,438,168	1,391,476	1,196,008	209,056	135,860	10,524,988	1,196,194	39,563	11,760,745
Procurement and shipping	7,900,701	2,199,783	4,853	1,552	63	94,549	10,116,501	-	-	10,116,501
Program equipment and infrastructure	2,405,395	2,115,371	121,542	292,525	-	13,435	4,948,268	7,859	-	4,956,127
In-kind expenses	778,927	684,790	-	-	-	-	1,463,717	154,722	-	1,618,439
Office expenses	2,062,170	970,499	455,642	522,445	94,212	254,974	4,359,942	26,005	10,202	4,396,149
Occupancy costs	968,841	462,452	151,155	325,366	11,309	758,067	2,677,190	591,905	501	3,269,596
Telecom	847,400	304,642	196,738	184,365	33,408	111,656	1,678,209	198,861	4,567	1,881,637
Bank fees and other expenses	601,509	98,225	40,240	60,643	6,068	120,800	927,485	320,954	39	1,248,478
Depreciation	1,593	301	212	1,294	-	16,827	20,227	88,402	-	108,629
<b>Total</b>	<b>\$ 108,118,494</b>	<b>\$ 45,610,061</b>	<b>\$ 21,801,275</b>	<b>\$ 19,815,756</b>	<b>\$ 5,524,951</b>	<b>\$ 2,482,352</b>	<b>\$ 203,267,889</b>	<b>\$ 15,454,340</b>	<b>\$ 714,647</b>	<b>\$ 219,436,876</b>

# CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

## *Consolidated Statements of Cash Flows*

*Years Ended December 31, 2022 and 2021*

	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (840,908)	\$ 2,616,361
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	76,590	108,629
Noncash operating lease expense	(909,846)	-
Changes in:		
Advances and deposits	(3,895,886)	(551,001)
Grants receivable	(8,273,179)	(2,614,231)
Prepaid expenses	(1,237,736)	(276,808)
Accounts payable	(83,633)	773,970
Accrued expenses	760,978	(654,206)
Operating lease liabilities	826,287	-
Deferred revenue	6,525,759	13,440,006
	<b>(7,051,574)</b>	<b>12,842,720</b>
<b>Cash flows used in investing activities:</b>		
Purchase of property and equipment	(116,369)	(159,907)
	<b>(116,369)</b>	<b>(159,907)</b>
<b>Net change in cash and cash equivalents</b>	<b>(7,167,943)</b>	<b>12,682,813</b>
Cash and cash equivalents (including amounts limited as to use), beginning of year	122,957,327	110,274,514
	<b>\$ 115,789,384</b>	<b>\$ 122,957,327</b>

# 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 majority 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 reflects 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 as to use 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 of such amounts and existing economic conditions.

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

Prepaid expenses include items such as insurance, rent and program supplies and materials purchased in advance. 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 for direct program use are expensed and charged to direct program funds at the time of purchase as a program cost and are reflected in the consolidated statements of functional expenses as program equipment and infrastructure.

##### *Leases*

CHAI leases office space under operating lease arrangements through 2025 for which expense is recognized on a straight-line basis over the lease term.

Effective January 1, 2022, CHAI adopted changes required in lease accounting on the modified retrospective method which requires that operating leases be included as operating lease right-of-use (ROU) assets, and operating lease liabilities on the accompanying consolidated statement of financial position as of the date of adoption. The effect of this change was an increase in right-of-use assets of \$2,223,000 and a corresponding liability of \$2,051,000 being recorded as of January 1, 2022. The difference in these amounts for the most part related to prepaid lease amounts. This change did not materially impact amounts recognized in the consolidated statement of activities. Prior methods of accounting for operating leases are included in the 2021 consolidated financial statements.

ROU assets represent CHAI's right to use an underlying asset for the lease term and lease liabilities represent CHAI's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As CHAI's leases do not provide an implicit rate, CHAI uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments.

CHAI has included in its computations of its ROU assets and related obligations operating costs the base rent agreement of its office space as a single component as permitted under lease accounting standards. These costs are adjusted periodically based on actual period costs and are charged to lease expense as incurred. Lease expense was approximately \$1,012,000 and \$1,552,000 for the years ended December 31, 2022 and 2021, respectively.

# CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

## *Notes to Consolidated Financial Statements*

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

#### ***Deferred Revenue***

Deferred revenue represents funds received in advance for delivery of program services under grant agreements. Amounts are deferred as they are conditioned on incurring costs for the related program and thus are held until such time as costs have been incurred at which time they will be recorded as grant revenue.

In addition to these advances, CHAI also has conditional promises to receive resources of approximately \$295,388,000 and \$306,613,000 at December 31, 2022 and 2021, respectively, from grantors to fund future service delivery activities. While these amounts are committed, they are not recorded in the consolidated financial statements given their conditional nature which includes future evaluation from the donor as to CHAI's satisfactory progress toward mutually agreed-upon objectives as well as the incurring of related costs associated with the funding. Four and three donors accounted for approximately 64% and 72% of total conditional promises to give at December 31, 2022 and 2021, respectively.

#### ***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 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.

Grant revenue is restricted for specific program purposes and, as such, is recorded as with donor restrictions upon incurring direct program expenses, along with related overhead. Such amounts are simultaneously released from restriction.

In addition, CHAI has a substantial amount of future grant funding as indicated in the deferred revenue note above.

##### ***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. Funds with donor restrictions are generally released from restriction into funds without donor restrictions as direct programmatic expenditures are incurred along with amounts allowable for overhead.

# 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)*

##### *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.

#### *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 \$78,000 and \$170,000 for the years ended December 31, 2022 and 2021, respectively, and is included in "bank fees and other expenses" on the consolidated statements of functional expenses.

#### ***Pending Accounting Pronouncements***

Pending standards have been evaluated on a preliminary basis and are not likely to have a material impact given their nature.

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

CHAI has evaluated subsequent events through July 31, 2023, the date that the consolidated financial statements were authorized to be issued. No events occurred through that date required recognition or disclosure.

### **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.



# CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### Note 2 - Liquidity and Availability (Continued)

The following financial assets could readily be made available within one year of year end to meet general expenditures:

	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 971,127	\$ 14,615,257
Cash and cash equivalents limited as to use	114,818,257	108,342,070
Grants receivable due in one year or less	<u>14,268,881</u>	<u>5,995,702</u>
	<b><u>\$ 130,058,265</u></b>	<b><u>\$ 128,953,029</u></b>

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:

	<b>2022</b>	<b>2021</b>
Furniture and equipment	\$ 1,129,499	\$ 1,116,135
Vehicles	1,412,343	1,309,338
Buildings and fixtures	<u>466,638</u>	<u>466,638</u>
	3,008,480	2,892,111
Less: accumulated depreciation	<u>2,723,648</u>	<u>2,647,058</u>
<b>Property and equipment, net</b>	<b><u>\$ 284,832</u></b>	<b><u>\$ 245,053</u></b>

# CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

## *Notes to Consolidated Financial Statements*

### **Note 4 - Leases**

CHAI routinely utilizes month to month and other short-term leasing strategies associated with its international operations. This helps to manage the risk associated with long-term fixed lease commitments, as well as allow for better matching of these costs to the near-term funding commitments that CHAI has available. As such, many of CHAI's leases do not result in a right-of-use asset or a related obligation with such costs being charged to operations as incurred.

Leasing information for operating leases is as follows for the year ended December 31, 2022:

	<b><i>Operating Lease Right-of-Use Asset</i></b>	<b><i>Operating Lease Liability</i></b>
Balance, January 1, 2022	\$ 2,222,602	\$ 2,050,702
Right-of-use assets obtained in exchange for operating lease liabilities during the year	133,589	51,251
Lease expense related to right-of-use asset	(996,966)	-
Principal portion of operating lease liability payments	<u>-</u>	<u>(826,287)</u>
Balance, December 31, 2022	<u>\$ 1,359,225</u>	<u>\$ 1,275,666</u>

### **Additional Disclosures:**

Weighted average remaining lease term, December 31, 2022	1.57 years
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Discount rate, January 1, 2022	0.69%
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Discount rate, December 31, 2022	3.51%
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Weighted average discount rate, December 31, 2022	1.16%
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# CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

## *Notes to Consolidated Financial Statements*

### **Note 4 - Leases (Continued)**

The approximate annual minimum non-cancelable rental payments under operating leases for the years ending December 31 are as follows:

2023	\$ 903,045
2024	383,674
2025	<u>17,233</u>
Total future minimum lease payments	1,303,952
Less imputed interest	<u>(28,286)</u>
<b>Total</b>	<b><u><u>\$ 1,275,666</u></u></b>

Management considers other disclosures associated with its leasing activities as not significant.

### **Note 5 - Net Assets**

#### ***Net Assets Without Donor Restrictions***

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

	<b>2022</b>	<b>2021</b>
Net investment in plant	\$ 284,832	\$ 245,053
Unallocated	<u>10,153,774</u>	<u>10,297,936</u>
<b>Net assets without donor restrictions</b>	<b><u><u>\$ 10,438,606</u></u></b>	<b><u><u>\$ 10,542,989</u></u></b>

#### ***Net Assets With Donor Restrictions***

Net assets with donor restrictions are for the purpose of international health programs and amounted to \$2,264,561 and \$2,274,744 as of December 31, 2022 and 2021, respectively.

# CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### Note 6 - Contributed Nonfinancial Assets

Contributed nonfinancial assets recognized within the consolidated statements of activities included the following for the years ended December 31:

	2022	2021
Medical supplies	\$ 40,686	\$ 8,902
Professional services	<u>1,693,501</u>	<u>1,609,536</u>
	<u><b>\$ 1,734,187</b></u>	<u><b>\$ 1,618,438</b></u>

CHAI recognized contributed nonfinancial assets within revenue, including medical supplies and professional services.

Contributed medical supplies were utilized for CHAI's direct service programs for infectious diseases and sexual, reproductive, maternal, newborn and child health. CHAI estimated the fair value based on estimates of wholesale values that would be received for selling similar products in the United States.

Professional services recognized are comprised of legal fees from attorneys advising CHAI on various administrative legal matters, as well as volunteer time for employees from other organizations whose time is donated to CHAI. These services are valued and reported at the estimated fair value in the consolidated financial statements based on current rates for similar legal services.

### 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 with CHAI matching 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 funds in many of the countries in which it operates as stipulated by local law.

Expenses under the plans were \$4,800,656 and \$4,944,818 for the years ended December 31, 2022 and 2021, respectively.

# CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### Note 8 - Concentrations and Contingencies

#### Assets in Foreign Countries

CHAI maintains cash balances and equipment in Asia, Africa, Europe and the Caribbean. CHAI had approximately \$6.7 million and \$4.3 million deposited in foreign banks at December 31, 2022 and 2021, 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, 2022 and 2021.

#### Concentration of Revenue

Four grantors accounted for approximately 63% and 62% of total revenue for the years ended December 31, 2022 and 2021, respectively, with one donor accounting for approximately 30% and 31% in those respective years.

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

	<b>2022</b>	<b>2021</b>
Government and multilaterals	46%	41%
Private foundations	51%	57%
Other donors	3%	2%
	<u>          </u>	<u>          </u>
<b>Total</b>	<b><u>100%</u></b>	<b><u>100%</u></b>

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.

#### 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.

# CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

## *Notes to Consolidated Financial Statements*

### ***Note 8 - Concentrations and Contingencies (Continued)***

#### ***International Operations (Continued)***

From time to time, CHAI has discovered various matters with respect to payroll taxes and related remittances in a select number of its operating locations. These matters have resulted in net charges of \$568,000 and \$832,000 during 2022 and 2021, respectively. Amounts included in accrued expenses associated with these matters amounted to \$1,692,000 and \$2,045,000 on December 31, 2022 and 2021, respectively. Subsequent to year-end, the entirety of the remaining liability was repaid.

#### ***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.