Consolidated Financial Statements, Supplemental Information and Reports Required for Audits in Accordance with Government Auditing Standards and the Uniform Guidance

Partners In Health

June 30, 2019 and 2018



Consolidated Financial Statements, Supplemental Information and Reports Required for Audits in Accordance with Government Auditing Standards and the Uniform Guidance

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Independent Auditors' Report

Board of Directors Partners In Health Boston, Massachusetts

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Partners In Health (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 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 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 Partners In Health as of June 30, 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.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, in 2019, the Organization adopted Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities, Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other 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

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In accordance with Government Auditing Standards, we have also issued our report dated November 19, 2019 on our consideration of the Organization'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 the Organization's internal control over financial reporting and compliance.

November 19, 2019

Boston, Massachusetts

Consolidated Statements of Financial Position

June 30,

| | | 2019 | | 2018 |
|---------------------------------------|------|------------|-------------------|------------|
| Assets | | | | |
| Cash and cash equivalents | \$ | 30,199,666 | \$ | 28,290,558 |
| Contributions receivable, net | | 2,337,258 | | 185,227 |
| Grants and other receivables | | 10,549,733 | | 8,569,417 |
| Prepaid expenses and other assets | | 5,125,310 | | 4,943,672 |
| Investments | | 35,053,264 | | 27,377,591 |
| Property and equipment, net | _ | 14,073,850 | | 12,352,394 |
| | | | | |
| Total assets | \$ _ | 97,339,081 | · \$ ₌ | 81,718,859 |
| Liabilities and Net Assets | | | | |
| Accounts payable and accrued expenses | \$ | 20,171,054 | \$ | 14,498,302 |
| Deferred revenue | _ | 4,327,833 | _ | 2,398,559 |
| Total liabilities | _ | 24,498,887 | | 16,896,861 |
| Net assets: | | | | |
| Without donor restrictions | | 24,860,149 | | 31,280,370 |
| With donor restrictions | _ | 47,980,045 | | 33,541,628 |
| Total net assets | _ | 72,840,194 | | 64,821,998 |
| Total liabilities and net assets | \$ _ | 97,339,081 | \$_ | 81,718,859 |

Consolidated Statement of Activities

Year Ended June 30, 2019 (with comparative total for 2018)

| | | | 2018 | | |
|---|------|---------------|---------------|----------------|-------------|
| | - | Without | With | | _ |
| | | Donor | Donor | | |
| | | Restrictions | Restrictions | Total | Total |
| Revenue, gains and other support: | | | | | |
| Contributions | \$ | 66,084,205 \$ | 52,402,719 \$ | 118,486,924 \$ | 107,242,567 |
| Government and other grants and contracts | | - | 33,443,505 | 33,443,505 | 33,718,683 |
| Gifts in kind and contributed services | | 2,841,580 | 352,694 | 3,194,274 | 8,042,935 |
| Investment return | | 1,405,068 | 284,921 | 1,689,989 | 625,326 |
| Gain on sale of asset and other income | | 2,567,502 | 190,420 | 2,757,922 | 2,122,049 |
| Amounts appropriated for expenditure under | | | | | |
| spending policy | | 194,740 | (194,740) | - | - |
| Net assets released from restrictions | - | 72,090,720 | (72,090,720) | | |
| Total revenue, gains and other support | - | 145,183,815 | 14,388,799 | 159,572,614 | 151,751,560 |
| Expenses: | | | | | |
| Program services | | 133,410,663 | - | 133,410,663 | 124,345,115 |
| Development | | 7,650,414 | - | 7,650,414 | 6,398,257 |
| General and administration | - | 10,054,315 | | 10,054,315 | 9,880,348 |
| Total expenses | _ | 151,115,392 | | 151,115,392 | 140,623,720 |
| Changes in net assets from operations | | (5,931,577) | 14,388,799 | 8,457,222 | 11,127,840 |
| Change in value of charitable gift annuity | | - | 49,618 | 49,618 | (3,682) |
| Reclassification of capital assets expensed | | | | | |
| in prior year (Note 2) | | - | - | - | 3,094,100 |
| Foreign currency translation adjustment | - | (488,644) | <u> </u> | (488,644) | 180,835 |
| Change in net assets for the year | - | (6,420,221) | 14,438,417 | 8,018,196 | 14,399,093 |
| Net assets, beginning of year | - | 31,280,370 | 33,541,628 | 64,821,998 | 50,422,905 |
| Net assets, end of year | \$ _ | 24,860,149 \$ | 47,980,045 \$ | 72,840,194 \$ | 64,821,998 |

Consolidated Statement of Activities

Year Ended June 30, 2018

| | | Without Donor Restrictions | With Donor Restrictions | | Total |
|---|------|----------------------------------|-------------------------------|------|-------------|
| Revenue, gains and other support: | | | | | |
| Contributions | \$ | 72,658,920 | \$ 34,583,647 | \$ | 107,242,567 |
| Government and other grants and contracts | | 64,043 | 33,654,640 | | 33,718,683 |
| Gifts in kind and contributed services | | 5,953,302 | 2,089,633 | | 8,042,935 |
| Investment return | | 369,551 | 255,775 | | 625,326 |
| Gain on sale of asset and other income | | 1,916,937 | 205,112 | | 2,122,049 |
| Amounts appropriated for expenditure under | | | | | |
| spending policy | | 39,724 | (39,724) | | - |
| Net assets released from restrictions | - | 63,276,393 | (63,276,393) | _ | |
| Total revenue, gains and other support | _ | 144,278,870 | 7,472,690 | _ | 151,751,560 |
| Expenses: | | | | | |
| Program services | | 124,345,115 | - | | 124,345,115 |
| Development | | 6,398,257 | - | | 6,398,257 |
| General and administration | - | 9,880,348 | | _ | 9,880,348 |
| Total expenses | _ | 140,623,720 | | _ | 140,623,720 |
| Changes in net assets from operations | | 3,655,150 | 7,472,690 | | 11,127,840 |
| Change in value of charitable gift annuity | | - | (3,682) | | (3,682) |
| Reclassification of capital assets expensed | | | | | |
| in prior year (Note 2) | | 3,094,100 | - | | 3,094,100 |
| Foreign currency translation adjustment | - | 180,835 | <u>-</u> | _ | 180,835 |
| Change in net assets for the year | _ | 6,930,085 | 7,469,008 | _ | 14,399,093 |
| Net assets, beginning of year | _ | 24,350,285 | 26,072,620 | _ | 50,422,905 |
| Net assets, end of year | \$ _ | 31,280,370 | \$ 33,541,628 | \$ _ | 64,821,998 |

Consolidated Statements of Functional Expenses

Years Ended June 30,

| | | 2019 | | | | | | | | |
|----------------------------------|-------------|-------------|------|-------------|----|----------------|------|-------------|--|--|
| | _ | Program | | | | General and | | Total | | |
| | | Services | | Development | | Administration | | Expenses | | |
| Human resources | \$ | 40,756,056 | \$ | 2,269,507 | \$ | 6,114,854 | \$ | 49,140,417 | | |
| Consumables | | 17,272,524 | | 80,259 | | 26,365 | | 17,379,148 | | |
| Durable goods | | 2,525,429 | | 35,289 | | 181,931 | | 2,742,649 | | |
| Operations | | 21,896,816 | | 4,237,614 | | 1,174,122 | | 27,308,552 | | |
| Administration | | 3,496,809 | | 1,027,745 | | 2,515,433 | | 7,039,987 | | |
| Infrastructure & equipment | | 3,307,592 | | - | | 41,610 | | 3,349,202 | | |
| Grants to partner organizations | _ | 44,155,437 | | - | - | | _ | 44,155,437 | | |
| Total functional expenses | \$ _ | 133,410,663 | \$ | 7,650,414 | \$ | 10,054,315 | \$ = | 151,115,392 | | |
| | | | 2018 | | | | | | | |
| | _ | Program | | | | General and | | Total | | |
| | | Services | | Development | | Administration | | Expenses | | |
| Human resources | \$ | 37,854,271 | \$ | 1,413,900 | \$ | 5,822,006 | \$ | 45,090,177 | | |
| Consumables | | 20,569,209 | | 87,242 | | 27,413 | | 20,683,864 | | |
| Durable goods | | 1,534,577 | | 19,177 | | 238,418 | | 1,792,172 | | |
| Operations | | 19,231,281 | | 4,053,470 | | 1,273,797 | | 24,558,548 | | |
| Administration | | 3,100,327 | | 824,468 | | 2,497,153 | | 6,421,948 | | |
| Infrastructure & equipment | | 1,952,572 | | - | | 21,561 | | 1,974,133 | | |
| Grants to partner organizations | _ | 40,102,878 | | - | - | | _ | 40,102,878 | | |
| Total functional expenses | \$ _ | 124,345,115 | \$ | 6,398,257 | \$ | 9,880,348 | \$ _ | 140,623,720 | | |

Consolidated Statements of Cash Flows

Years Ended June 30,

| | 2019 | | 2018 |
|---|---------------|------------|------------------|
| Cash flows from operating activities: | | | |
| Change in net assets \$ | 8,018,196 | \$ | 14,399,093 |
| Adjustments to reconcile change in net assets to net cash | -,, | • | ,, |
| provided by operating activities: | | | |
| Depreciation and amortization | 1,632,400 | | 1,521,701 |
| Net realized and unrealized gain on investments | (246,819) | | (48,092) |
| Net realized and unrealized (gain) loss on | (, , , | | () , |
| foreign currency contract | (321,618) | | 325,759 |
| Gain on sale of property and equipment | (39,292) | | (697,643) |
| Change in value of charitable gift annuity | 49,618 | | (3,682) |
| Cash collected on contributions | , | | () , |
| restricted for long-term investment | (50,000) | | (1,052,000) |
| (Gain) loss on value of charitable gift annuity | (49,618) | | 3,682 |
| Reclassification of capital assets expensed in prior year | - | | (3,094,100) |
| Changes in operating assets and liabilities: | | | (= , = = , = =) |
| Contributions receivable | (2,152,031) | | 10,164 |
| Grants and other receivables, net | (1,658,698) | | 2,452,048 |
| Prepaid expenses and other assets | (181,638) | | (1,418,424) |
| Accounts payable and accrued expenses | 5,672,752 | | 1,742,317 |
| Deferred revenue | 1,929,274 | | (6,917,325) |
| | 1,5 25 ,2 7 1 | _ | (0,517,620) |
| Net cash provided by operating activities | 12,602,526 | | 7,223,498 |
| Cash flows from investing activities: | | | |
| Purchase of property and equipment | (3,373,708) | | (4,902,503) |
| Proceeds from sale of property and equipment | 59,144 | | 1,024,965 |
| Proceeds from the sale of investments | 4,196,979 | | 7,438,371 |
| Purchases of investments | (11,625,833) | | (5,865,817) |
| 1 dichases of investments | (11,023,033) | · – | (5,005,017) |
| Net cash used in investing activities | (10,743,418) | · _ | (2,304,984) |
| Cash flows from financing activities: | | | |
| Cash collected on contributions restricted for long-term investment | 50,000 | | 1,052,000 |
| cash concered on contributions restricted for long-term investment | 30,000 | | 1,032,000 |
| Net cash provided by financing activities | 50,000 | | 1,052,000 |
| Net change in cash and cash equivalents | 1,909,108 | | 5,970,514 |
| Cash and cash equivalents, beginning of year | 28,290,558 | . <u> </u> | 22,320,044 |
| Cash and cash equivalents, end of year \$ | 30,199,666 | \$ | 28,290,558 |

Notes to Consolidated Financial Statements

Note 1 - Organization

Partners In Health, a Nonprofit Corporation ("PIH" or the "Organization") is an international nongovernmental organization dedicated to delivering high quality health care to people and communities suffering from the joint burdens of poverty and disease. PIH's work has three goals: to provide high quality care for patients, to alleviate the root causes of disease, and to share lessons learned around the world.

PIH consolidates the accounts of Socios En Salud (Peru), Partners In Health Kazakhstan, Partners In Health Liberia, Partners In Health Sierra Leone, Inshuti Mu Buzima (Rwanda), Bo Mphato Litšebeletsong tsa Bophelo (Lesotho), Abwenzi Pa Za Umoyo (Malawi), Compañeros En Salud (Mexico), Partners In Health Ethiopia, The University of Global Health Equity (Rwanda), and Partners In Health Canada. All of these entities were established and are governed under the laws of their respective countries.

Partner organizations (Note 10) are not consolidated in the accompanying financial statements as PIH does not have control of these organizations as defined under generally accepted accounting principles. Disbursements to partner organizations are presented as "Grants to partner organizations" in the consolidated statements of functional expenses.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). The consolidated financial statements include the accounts of PIH and affiliates as outlined above. All inter-organizational balances and transactions are eliminated in consolidation.

Income Taxes

PIH is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, as amended (the "Code"), and is generally exempt from income taxes pursuant to Section 501(a) of the Code. Affiliates are likewise exempt from income taxes as per the laws of the respective countries. PIH is required to assess uncertain tax positions and has determined that there were no such positions that required recognition in the consolidated financial statements

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies, the reported amounts of revenues and other support, and the expenses during the reporting periods. Actual results could vary from these estimates.

Significant estimates include useful lives of assets, valuation of investments, collectability of contributions, grants, and other receivables, vacation accruals, and valuation of gifts in kind and contributed services.

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

PIH considers cash on hand, deposits in banks, certificates of deposit and short-term marketable securities with an original maturity of less than 90 days to be cash and cash equivalents. Cash and cash equivalents are reported at cost plus accrued interest. Cash and cash equivalents held by investment managers are considered to be part of investments.

PIH maintains its cash balances at several financial institutions, which, at times, may exceed federally insured limits. In addition, cash and cash equivalents in foreign institutions are subject to differing rules and risks. PIH monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts.

Contributions, Grants and Other Receivables

Contributions, grants and other receivables are carried at their estimated collectible amounts. Receivables are periodically evaluated for collectability based on past credit history with the donors or funding sources and their current financial condition. Provisions for uncollectible amounts on the accounts are determined on the basis of loss experience, known and inherent risks and current economic conditions.

Investments

Investments are carried at fair market value consistent with the fair value policies described elsewhere in these policies.

Investment return (loss) is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized gains and losses.

The investment objective of PIH is to invest its assets in a prudent manner to achieve a long-term rate of return sufficient to fund its board approved spending policy and to increase investment values after inflation.

Fair Value Measurements

PIH measures fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement price (an exit price). A fair value hierarchy has been established to prioritize the inputs used in valuation techniques to measure fair value for investments other than those valued at NAV. The three levels of the fair value hierarchy are described below.

Level 1 - Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities publicly traded on a stock exchange.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date and fair value is determined through the use of models or other valuation methodologies.

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

Level 3 - Pricing inputs are unobservable for the instruments and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

Property and Equipment

Property and equipment is stated at cost, or if donated, at fair value at the date of donation when its useful life is greater than one year and amounts exceed a management determined capitalization threshold. PIH provides for depreciation and amortization using the straight-line method over the estimated useful lives:

Buildings and improvements

Leasehold improvements

Over lesser of asset life or lease term

Vehicles and equipment

Capitalized software

25-46 years

Over lesser of asset life or lease term

3-5 years

5-10 years

Repairs and maintenance are expensed as incurred.

PIH deploys a portion of its funds for the construction and equipping of hospitals and healthcare centers on behalf of local governments. These facilities are used by PIH and the local governments in partnership to deliver health care services. PIH also funds the construction of wells for communities and homes for patients in great need. For the most part, PIH considers these facilities, including the furniture and equipment contained therein, the property of the local government or the relevant individuals, and thus associated construction, renovation, and equipment costs are expensed as incurred. One exception to this is the campus of the University of Global Health Equity ("UGHE") in Rwanda where PIH does in fact own those buildings, furniture, and equipment.

Classification of Net Assets

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- Net assets without donor restrictions net assets available for general use and not subject to donor restrictions. Also included in net assets without donor restrictions is a board-designated fund established to set aside monies for the purpose of assuring longer term stability and sustainability and ensuring steady support for core programs, while allowing for planning and implementation of longer term initiatives.
- Net assets with donor restrictions net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity in endowment accounts.

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Recognition of Revenue and Deferred Revenue

There are two primary types of revenue: contributions and exchange transactions. Contributions are donations to PIH for which the donating entity is not receiving anything in return. Contributions, including unconditional promises to give, are recognized as revenue in the period verifiably committed at net realizable value. Conditional contributions are not recorded until the condition is met. Contribution revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions, in which case they are reported as increases in net assets with donor restrictions. One donor made up approximately 27% and 23% of contribution revenue for the years ended June 30, 2019 and 2018, respectively.

Funds provided under certain grants and contracts are considered exchange transactions because the grantor or contracting agency is receiving something in exchange for the transfer of funds. These funds are deemed to be earned and reported as revenue when PIH has either incurred expenditures or completed the deliverables in compliance with the specific terms and conditions of the grant or contract. Grant or contract funds received that qualify as exchange transactions for which no corresponding expenditure or performance has yet been made are accounted for as deferred revenue. Expenditures and performance made in advance of funds received are recorded as grants or accounts receivable.

Foreign Currency Translation

The functional currency for the majority of PIH's affiliates is the local currency. The translation into U.S. dollars is performed for statement of financial position accounts using exchange rates in effect at year end while revenue and expense accounts use a weekly or monthly spot rate. The resulting translation adjustments are recorded in net assets without donor restrictions.

Functional Allocation of Expenses

The costs of providing 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 of expenses by function. Accordingly, certain costs have been allocated among program services, development, and general and administration categories in accordance with the standards for accounting for joint activities. Depreciation of property and equipment have been allocated to functional classifications based on benefit received by the program.

New Accounting Pronouncement

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, Not-for-Profit Entities, Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. PIH adopted ASU No. 2016-14 in 2019 and has adjusted the presentation of these financial statements including retrospectively adjusting all periods presented.

Reclassifications

Certain amounts reported in the 2018 financial statements have been reclassified to conform to the 2019 presentation.

Notes to Consolidated Financial Statements

Note 3 - Liquidity and Availability

PIH regularly monitors liquidity to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds. PIH has various sources of liquidity at its disposal, including cash and cash equivalents, marketable equity securities and a line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, PIH considers all expenditures related to its ongoing activities of its programs 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, PIH seeks to operate with a relatively balanced budget with the longer term goal of generating surpluses from increased contributed support.

As of June 30, 2019, PIH has \$28,108,640 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of:

| Cash and cash equivalents | \$ | 30,199,666 |
|---|----|--------------|
| Investments | | 35,053,264 |
| Grants receivable, net | | 10,549,733 |
| Contributions receivable, net | | 2,337,258 |
| Endowment appropriations for the next twelve months | _ | 268,562 |
| Total financial assets | | 78,408,483 |
| | | |
| Less: | | |
| Investments with liquidity horizons greater than one year | | (14,453,062) |
| Contribution receivable due after one year, net | | (1,342,794) |
| Contribution receivable with restrictions outside of general operating, net | | (297,796) |
| Board-designated funds | | (9,622,701) |
| Funds with donor-imposed restrictions outside of general operating | _ | (24,583,490) |

Total financial assets available to meet general expenditures within one year \$ 28,108,640

None of the financial assets included above are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the balance sheet date. The contributions receivable are subject to implied time restrictions but are expected to be collected within one year. PIH has a goal to maintain financial assets, which consists of cash and short-term investments, on hand equal to 25% of the annual operating budget at the lowest cash point during the year. As part of its liquidity management, PIH invests cash in excess of daily requirements in various short-term, liquid investments. Further, as described in Note 8, PIH also has a line of credit in the amount of \$6 million, which it can draw down upon in the event of an unanticipated liquidity need.

Notes to Consolidated Financial Statements

Note 4 - Receivables

Contributions receivable represent pledges receivable as well as contributions received shortly after the fiscal year end for which PIH was notified by donors prior to year end.

Grants receivable represent amounts accrued for work completed under grant contracts with governments, multilateral and research institutions, and institutional foundations. All amounts due within the fiscal year are recorded at face value without discounting.

Contributions and grants receivable balances are presented net of allowance for doubtful accounts of \$0 at both June 30, 2019 and 2018.

Contributions receivable are expected to be realized in the following time frame as of June 30:

| | | 2019 | 2018 |
|--------------------------------------|-----|--------------|---------|
| Amounts expected to be collected in: | | | |
| One year or less | \$ | 1,023,194 \$ | 91,360 |
| Two to five years | | 1,400,000 | 100,000 |
| Greater than five years | | - | - |
| Less: | | | |
| Discount to present value | | (85,936) | (6,133) |
| Contributions receivable, net | \$_ | 2,337,258 \$ | 185,227 |

Note 5 - Investments

The following tables summarize PIH's investments in accordance with the fair value hierarchy as of June 30:

| | | | | | | 2019 | | | |
|---------------------------------|-----|------------|-----|-------------------------|----------|------------|-----|---------|----------|
| | | | | Investments Measured | | | | | |
| | | Total | | at NAV | | Level 1 | | Level 2 | Level 3 |
| Investments | | | | | | | | | |
| Cash equivalents | \$ | 19,015,022 | \$ | - \$ | 5 | 19,015,022 | \$ | - : | \$ - |
| Mutual funds | | 802,717 | | - | | 802,717 | | - | - |
| Equity securities | | 4,818,628 | | - | | 4,818,628 | | - | - |
| Fixed income | | 9,802,099 | | - | | 9,802,099 | | - | - |
| Real estate investment trusts | | 209,252 | | - | | 209,252 | | - | - |
| Private equity and alternatives | | 374,723 | | 374,723 | | - | | - | - |
| Split interest agreements: | | | | | | | | | |
| Insurance contract | _ | 30,823 | | - | _ | - | _ | | 30,823 |
| Total assets at fair value | \$_ | 35,053,264 | \$_ | 374,723 \$ | . | 34,647,718 | \$_ | | \$30,823 |

Notes to Consolidated Financial Statements

Note 5 - Investments (Continued)

| | | | | 2018 | | | | |
|---------------------------------|------|------------|---------------|------------------|-----|---------|-----|---------|
| | | | Investments | | | | | |
| | | | Measured | | | | | |
| | | Total | at NAV | Level 1 | | Level 2 | | Level 3 |
| Investments | | | | | | | | |
| Cash equivalents | \$ | 1,245,503 | \$ - | \$ 1,245,503 | \$ | - | \$ | - |
| Mutual funds | | 1,106,096 | - | 1,106,096 | | - | | - |
| Equity securities | | 4,771,090 | - | 4,771,090 | | - | | - |
| Fixed income | | 19,540,720 | - | 19,540,720 | | - | | - |
| Real estate investment trusts | | 200,039 | - | 200,039 | | - | | - |
| Private equity and alternatives | | 489,766 | 489,766 | - | | - | | - |
| Split interest agreements: | | | | | | | | |
| Insurance contract | _ | 24,377 | - | - | | | _ | 24,377 |
| Total assets at fair value | \$ _ | 27,377,591 | \$ 489,766 | \$ 26,863,448 | \$_ | | \$_ | 24,377 |

At June 30, 2019, \$0 of the investments measured at net asset value ("NAV") have redemption periods of 90 days or less and \$374,723 have redemption periods of over 90 days. At June 30, 2018, \$0 of the investments measured at net asset value ("NAV") have redemption periods of 90 days or less and \$489,766 have redemption periods of over 90 days.

There were no transfers between the levels within the fair value hierarchy during fiscal 2019 or 2018.

Unfunded commitments are \$184,860 as of June 30, 2019.

Note 6 - Property and Equipment

Property and equipment is summarized as follows at June 30:

| | | 2019 | 2018 |
|--|-------------|---------------|-------------|
| Land | \$ | 1,346,366 \$ | 1,404,886 |
| Building and improvements | | 9,825,897 | 7,455,382 |
| Equipment and furniture | | 2,805,166 | 2,361,196 |
| Vehicles | | 4,930,643 | 4,448,084 |
| Capitalized software | | 2,363,165 | 2,331,729 |
| Total property and equipment, gross | | 21,271,237 | 18,001,277 |
| Less accumulated depreciation and amortization | _ | (7,197,387) | (5,648,883) |
| Total property and equipment, net | \$ _ | 14,073,850 \$ | 12,352,394 |

Depreciation and amortization of \$1,632,400 and \$1,521,701 for the years ended June 30, 2019 and 2018, respectively, are included as expenses in the consolidated statements of activities.

Notes to Consolidated Financial Statements

Note 7 - Net Assets and Endowment Related Matters

Net assets without donor restrictions consisted of the following as of June 30:

| | | 2019 | 2018 |
|--|----|------------|------------------|
| Net investment in property and equipment | \$ | 14,073,850 | \$ 12,352,394 |
| Board-designated assets | | 9,622,701 | 15,554,278 |
| Other assets | _ | 1,163,598 | 3,373,698 |
| | \$ | 24,860,149 | \$ 31,280,370 |

Net assets with donor restrictions include the following at June 30:

| | | | 2019 |) | |
|--|----|---------------|---------------|-----------------|------------|
| | | Beginning | | | Ending |
| | | Balance | Additions | Releases | Balance |
| UGHE | \$ | 12,740,035 \$ | 22,937,080 \$ | (12,485,053) \$ | 23,192,062 |
| Multi-Site Support | | 4,080,662 | 25,321,194 | (22,494,737) | 6,907,119 |
| Rwanda | | 2,607,339 | 5,296,021 | (5,198,838) | 2,704,522 |
| Liberia | | 2,264,226 | 2,540,011 | (3,245,938) | 1,558,299 |
| Sierra Leone | | 758,950 | 2,493,167 | (1,708,774) | 1,543,343 |
| US Strategy | | 1,172,015 | 1,330,731 | (1,100,255) | 1,402,491 |
| Peru | | 72,475 | 11,932,683 | (10,611,041) | 1,394,117 |
| Haiti | | 2,793,553 | 10,741,155 | (12,387,965) | 1,146,743 |
| Mexico/Guatemala | | 500,374 | 1,805,345 | (1,198,493) | 1,107,226 |
| Malawi | | 89,005 | 929,146 | (628,387) | 389,764 |
| Lesotho | _ | 77,626 | 1,012,805 | (1,031,239) | 59,192 |
| Total funds held for specific purpose | - | 27,156,260 | 86,339,338 | (72,090,720) | 41,404,878 |
| Endowment corpus | | 5,949,052 | 50,000 | - | 5,999,052 |
| Accumulated unspent gains | | 436,316 | 334,539 | (194,740) | 576,115 |
| Total endowment | | 6,385,368 | 384,539 | (194,740) | 6,575,167 |
| Total net assets with donor restrictions | \$ | 33,541,628 \$ | 86,723,877_\$ | (72,285,460) \$ | 47,980,045 |

Notes to Consolidated Financial Statements

Note 7 - Net Assets and Endowment Related Matters (Continued)

2018 Beginning Ending Balance Additions Balance Releases **UGHE** \$ 8,323,669 \$ 12,327,221 \$ (7,910,855)\$ 12,740,035 1,109,073 Multi-Site Support 23,143,044 (20,171,455)4,080,662 Rwanda 4,084,816 3,369,136 (4,846,613)2,607,339 Liberia 2,223,243 1,885,004 (1,844,021)2,264,226 Sierra Leone 182,758 1,998,206 (1,422,014)758,950 **US Strategy** 1,276,733 1,646,794 (1,751,512)1,172,015 Peru 101,207 7,236,269 (7,265,001)72,475 Haiti 3,021,624 14,506,458 (14,734,529)2,793,553 Mexico/Guatemala 595,192 740,423 500,374 (835,241)Malawi 26,046 465,486 (402,527)89,005 Lesotho 345,500 1,824,751 (2,092,625)77,626 Total funds held for specific purpose (63,276,393)20,951,622 69,481,031 27,156,260 Endowment corpus 4,897,052 1,052,000 5,949,052 Accumulated unspent gains 223,946 252,094 (39,724)436,316 Total endowment 5,120,998 1,304,094 (39,724)6,385,368 Total net assets with donor restrictions 70,785,125 \$ (63,316,117) \$ 33,541,628 **\$** 26,072,620 **\$**

Endowment

The PIH endowment is a grouping of several endowment funds, including the Ophelia Dahl Endowment, designed to provide longer term funding for both general operations and specific initiatives.

Notes to Consolidated Financial Statements

Note 7 - Net Assets and Endowment Related Matters (Continued)

Endowment (Continued)

Endowment activity was as follows for the years ended June 30, 2019 and 2018:

| | | With Donor Restrictions | Total |
|--|-------------|-------------------------------|---------------------|
| Endowment assets and those functioning as endowment assets at July 1, 2017 | \$_ | 5,120,998 \$ | |
| Contributions and additions | | 1,052,000 | 1,052,000 |
| Investment return | | 255,776 | 255,776 |
| Expenditures: Change in value of charitable gift annuity Appropriation of endowment assets for expenditure | _ | (3,682) (39,724) | (3,682) (39,724) |
| Net change in endowment assets and those functioning as endowment assets | _ | 1,264,370 | 1,264,370 |
| Endowment assets and those functioning as endowment assets at June 30, 2018 | _ | 6,385,368 | 6,385,368 |
| Contributions and additions | | 50,000 | 50,000 |
| Investment return | | 284,921 | 284,921 |
| Expenditures: Change in value of charitable gift annuity Appropriation of endowment assets for expenditure | _ | 49,618 (194,740) | 49,618 (194,740) |
| Net change in endowment assets and those functioning as endowment assets | _ | 189,799 | 189,799 |
| Endowment assets and those functioning as endowment assets at June 30, 2019 | \$ = | 6,575,167 \$ | 6,575,167 |

The funds held by net assets with donor restrictions all represent corpus and accumulated unspent gains that are available to support the various programs of PIH. These funds support general operations without further proviso and are subject to the appropriation policies of the Board of Directors.

Notes to Consolidated Financial Statements

Note 7 - Net Assets and Endowment Related Matters (Continued)

Interpretation of Relevant Law

The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as enacted in Massachusetts permits PIH to appropriate for expenditure or accumulate so much of an endowment fund as PIH determines is prudent for the uses, benefits, purposes and duration for which the endowment is established subject to the intent of the donor as expressed in the gift instrument. Seven criteria are to be used to guide PIH in its yearly expenditure decisions: 1) duration and preservation of the endowment fund; 2) the purposes of PIH and the endowment fund; 3) general economic conditions; 4) effect of inflation or deflation; 5) the expected total return from income and the appreciation of investments; 6) resources of PIH; and 7) the investment policy of PIH.

Although UPMIFA offers short-term spending flexibility, the explicit consideration of the preservation of funds among factors for prudent spending suggests that a donor-restricted endowment fund is still perpetual in nature. Under UPMIFA, the Board is permitted to determine and continue a prudent payout amount, even if the market value of the fund is below historic dollar value. There is an expectation that, over time, the endowment corpus will remain intact. This perspective is aligned with the accounting standards definition that endowment corpus funds are those that must be held in perpetuity even though the historic-dollar-value may be dipped into on a temporary basis.

PIH tracks the original value of gifts donated to the endowment, subsequent gifts to the endowment, and accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Investment returns are also allocated to endowment type funds and tracked separately such that information on the above corpus value is maintained. To the extent that there is unappropriated investment returns, such amounts are tracked in accordance with the original restriction of the gift until appropriated for spending by the Board.

Spending Policy

State law allows the Board of Directors to appropriate a percentage of net asset appreciation as is prudent considering PIH's long and short-term needs, present and anticipated financial requirements, and expected total return on investments, price level trends, and general economic conditions. The Organization's endowment spending policy is calculated as 80% of distributions in the prior year adjusted for the applicable inflation/deflation rate plus 20% times 4% to 5% of the average 12 month market value of the endowment. For the year ended June 30, 2019, \$268,562 was calculated and approved for spending, of which \$194,740 was spent in accordance with the corresponding purpose. For the year ended June 30, 2018, \$273,718 was calculated and approved for spending, of which \$39,724 was spent in accordance with the corresponding purpose.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period.

Notes to Consolidated Financial Statements

Note 7 - Net Assets and Endowment Related Matters (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, PIH relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). PIH targets an asset allocation strategy wherein assets are diversified among several asset classes. The pursuit of maximizing total return is tempered by the need to minimize the volatility of returns and preserve capital. As such, PIH seeks broad diversification among assets having different characteristics with the intent to endure lower relative performance in strong markets in exchange for greater downside protection in weak markets.

Note 8 - Line of Credit

PIH maintains a \$6 million line of credit with a bank primarily for seasonal liquidity needs in advance of the calendar year end giving period. Borrowings accrue interest at a fluctuating interest rate equal to the one month LIBOR Advantage Rate plus 2.5% (4.9% at June 30, 2019). PIH must repay the full principal and interest outstanding by December 31st each year and cannot borrow again for a period of 60 days. The line is subject to an internal annual review by the bank each January. The Organization maintains a letter of credit for \$500,000 in favor of its landlord which is considered utilization against the line. There were no outstanding borrowings on the line at June 30, 2019 and 2018.

Note 9 - Gifts in Kind and Contributed Services

PIH receives donations of medicines and other goods, as well as contributed legal services without charge. PIH also has relationships with various hospitals that provide healthcare and pathology services for PIH patients for minimal fees or free of charge. The estimated fair value of these donations are recorded as contributions in the consolidated statements of activities and allocated to program services, development or administration expenses according to the nature of the item contributed.

Gifts in kind and contributed services is summarized as follows as of June 30:

| | | 2019 | 2018 |
|---|-----|------------------------|------------------------------|
| Donated medicines and goods Contributed services | \$_ | 1,998,766 1,195,508 | \$ 6,865,423 1,177,512 |
| Estimated fair value of donations | \$_ | 3,194,274 | \$ 8,042,935 |

Notes to Consolidated Financial Statements

Note 10 - Grants to Partner Organizations

Grants to partner organizations are recorded in the consolidated statements of activities under program services and include the following as of June 30:

| | | 2019 | | 2018 |
|--|-------------|------------|--------|------------|
| Zanmi Lasante (Haitian NGO) | \$ | 34,065,909 | \$ | 31,563,316 |
| Médecins Sans Frontiéres (French NGO) | | 3,118,764 | | 2,536,610 |
| Harvard Medical School | | 1,574,631 | | 1,108,561 |
| IRD Global Limited (UAE NGO working in Pakistan) | | 1,570,066 | | 1,923,332 |
| Ministry of Health (Government of Peru) | | 1,198,800 | | - |
| Community Outreach & Patient Empowerment (COPE) | | 941,452 | | 862,572 |
| Brigham and Women's Hospital | | 507,610 | | 351,243 |
| National Institute of Penitentiary (Peru NGO) | | 344,109 | | - |
| Summits Education | | 100,000 | | - |
| Eugene Ball Foundation (US NGO working in North Korea) | | 83,649 | | 72,135 |
| Northwestern University | | 65,738 | | - |
| Boston Medical Center | | 57,980 | | 81,458 |
| Stanford University | | 51,495 | | 149,322 |
| Rwanda Network of People Living With HIV | | 48,668 | | 64,752 |
| University of Rwanda | | - | | 180,009 |
| Rwanda Military Hospital | | - | | 178,715 |
| Rwanda Diabetes Association | | - | | 60,456 |
| Other | _ | 426,566 | _ | 970,397 |
| | • | 44 155 427 | • | 40 102 979 |
| | \$ _ | 44,155,437 | . \$ _ | 40,102,878 |

Grants to Zanmi Lasante in Haiti are for costs of operations, including salaries and benefits, pharmaceuticals, construction, equipment and furnishings, and social support. Grants from PIH to Médecins Sans Frontières (MSF), IRD Global, Harvard Medical School, Brigham and Women's Hospital, and Eugene Bell Foundation are related to specific activities each organization is performing as a sub-recipient on an endTB grant from UNITAID. Grants to Peru Ministry of Health and National Institute of Penitentiary are for activities related to an AIDS, tuberculosis and malaria grant from the Global Fund. Grants to Community Outreach & Patient Empowerment (COPE) and Brigham and Women's Hospital are for specific activities taking place in the Navajo Nation. Grants to Summits Education are for costs related to education in Haiti. Grants to Northwestern University are for maternal child health research in Rwanda. Grants to Boston Medical Center are for activities related to grants for the treatment of non-communicable diseases in Haiti and Rwanda. Grants to Stanford University are for activities related to a Hepatitis-C clinical trial grant from Gilead Sciences, Inc. Grants to the Rwanda Network of People Living with HIV are to support specific grant activities related to improving services for vulnerable populations.

Notes to Consolidated Financial Statements

Note 11 - Fiscal Sponsor Transactions

PIH receives donations and disburses funds on behalf of several organizations who work in coincident or contiguous areas to PIH projects, who are pursuing similar missions, and who do not yet have the infrastructure for this financial processing. PIH was holding \$118,733 and \$76,184 in cash on behalf of fiscal sponsorees as of June 30, 2019 and 2018, respectively.

Note 12 - Derivatives and Foreign Currency Transactions

The Organization's use of derivatives is limited to one foreign currency contract. PIH entered into a forward contract during fiscal year 2019 to hedge against foreign currency fluctuations related to the South African Rand. \$321,618 and \$(325,759) is included in investment return as of June 30, 2019 and 2018, respectively.

The following is a summary of the foreign currency contract outstanding as of June 30, 2019:

| Country | Maturity Dates | Forward Position in U.S. Dollars | Local Currency |
|--------------|--------------------------------|----------------------------------|-----------------|
| South Africa | July 31, 2019 - March 31, 2020 | \$ 1,880,000 | 26,284,889 Rand |

Note 13 - Commitments

Leases

PIH leases certain office space under non-cancelable operating leases. Total rental expense amounted to \$3,476,626 in fiscal 2019 and \$3,207,195 in fiscal 2018.

Future minimum lease rentals as of June 30, 2019 are as follows:

| | | Base | | Sublease | | Net |
|------------|-------------|------------|-----|----------|-----|------------|
| 2020 | \$ | 2,344,161 | \$ | 567,728 | \$ | 1,776,433 |
| 2021 | | 2,118,451 | | 186,590 | | 1,931,861 |
| 2022 | | 2,019,352 | | - | | 2,019,352 |
| 2023 | | 2,025,255 | | - | | 2,025,255 |
| 2024 | | 1,932,157 | | - | | 1,932,157 |
| Thereafter | _ | 5,755,033 | | - | | 5,755,033 |
| | \$ _ | 16,194,409 | \$_ | 754,318 | \$_ | 15,440,091 |

Note 14 - Retirement Plan

PIH has a qualified defined contribution retirement plan organized under IRS Code Section 401(k) that covers substantially all U.S.-based employees. Expenses under the plan were approximately \$344,000 and \$320,000 during the years ended June 30, 2019 and 2018, respectively.

Notes to Consolidated Financial Statements

Note 15 - Functional Allocation of Expenses by Program

Functional allocation of expenses by program for the year ended June 30, 2019 with comparative totals for 2018 are as follows:

| | Human Resources | Consumables | Durable Goods | Operations | Administration | Infrastructure & Equipment | Grants to Partner Organizations | 2019 Total | 2018 Total |
|----------------------------|--------------------|---------------|------------------|---------------|----------------|-------------------------------|---------------------------------------|----------------|----------------|
| Program services: | | | | | | | | | |
| Haiti | \$ 1,314,552 | \$ 5,259,712 | \$ 182,573 | \$ 1,274,956 | \$ 64,246 | \$ 786,925 | \$ 34,265,115 | \$ 43,148,079 | \$ 41,423,862 |
| Rwanda | 6,768,668 | 2,263,855 | 332,376 | 3,806,544 | 275,081 | 421,850 | 161,683 | 14,030,057 | 17,085,707 |
| Sierra Leone | 3,368,855 | 1,933,955 | 110,070 | 1,432,136 | 260,197 | 144,455 | - | 7,249,668 | 5,713,621 |
| Liberia | 3,621,623 | 1,384,986 | 164,204 | 1,818,934 | 461,724 | 326,461 | - | 7,777,932 | 7,020,532 |
| Lesotho | 4,487,815 | 881,389 | 69,867 | 1,033,030 | 134,209 | 29,307 | 8,921 | 6,644,538 | 7,550,517 |
| Peru | 4,245,168 | 1,682,437 | 633,642 | 3,595,990 | 1,346,796 | 290,330 | 1,719,532 | 13,513,895 | 9,853,910 |
| Malawi | 3,447,471 | 1,052,175 | 86,594 | 963,291 | 286,726 | 258,138 | - | 6,094,395 | 5,200,481 |
| Russia | - | - | - | - | - | - | - | - | 251,624 |
| endTB | 1,614,387 | 1,966,882 | 2,570 | 1,043,584 | 38,806 | - | 5,509,050 | 10,175,279 | 11,363,838 |
| UGHE | 3,766,504 | 314,250 | 789,638 | 2,776,228 | 440,766 | 769,802 | 77,240 | 8,934,428 | 4,237,923 |
| US Strategy | 151,849 | 5,601 | 446 | 171,812 | 733 | - | 1,520,755 | 1,851,196 | 1,703,814 |
| Mexico | 525,846 | 437,335 | 38,208 | 143,076 | 25,823 | 41,149 | - | 1,211,437 | 863,289 |
| Multi-site Support | 7,443,318 | 89,947 | 115,241 | 3,837,235 | 161,702 | 239,175 | 893,141 | 12,779,759 | 12,075,997 |
| Total program services | 40,756,056 | 17,272,524 | 2,525,429 | 21,896,816 | 3,496,809 | 3,307,592 | 44,155,437 | 133,410,663 | 124,345,115 |
| Development | 2,269,507 | 80,259 | 35,289 | 4,237,614 | 1,027,745 | - | - | 7,650,414 | 6,398,257 |
| General and administration | 6,114,854 | 26,365 | 181,931 | 1,174,122 | 2,515,433 | 41,610 | - | 10,054,315 | 9,880,348 |
| Total expenses | \$ 49,140,417 | \$ 17,379,148 | \$ 2,742,649 | \$ 27,308,552 | \$ 7,039,987 | \$ 3,349,202 | \$ 44,155,437 | \$ 151,115,392 | \$ 140,623,720 |

Note 16 - Subsequent Events

In connection with the preparation of the consolidated financial statements, PIH evaluated subsequent events after the consolidated statement of financial position date of June 30, 2019 through November 19, 2019, which was the date the consolidated financial statements were available to be issued, and determined that no other subsequent event activity required disclosure.



Consolidated Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

| Federal Grantor/Pass-Through Grantor/Program Title | CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures | Passed through to Sub Recipients |
|---|----------------|---|-------------------------|-------------------------------------|
| Agency for International Development (USAID) | | | | |
| Pass-through Programs for 98.001 - USAID Foreign Assistance for Programs Overs Passed through Elizabeth Glaser Pediatric AIDS Foundation USAID Lesotho - PUSH Project | 98.001 | 04597-00 | \$ 411,826 \$ | - |
| Passed through Global Communities Rwanda Improved Services for Vulnerable Populations | 98.001 | ISVP-15-01-PIH | 208,029 | |
| Total USAID Pass-through Programs for 98.001 - USAID Foreign Assistance | for Programs O | verseas | 619,855 | |
| Direct Program for 98.003 - USAID Ocean Freight Reimbursement Program (OFR Overseas Transportation for Voluntary Relief Shipments Exclusive of PL 480 Title II Food Donations | 98.003 | | 75,435 | 13,627 |
| Total USAID Direct and Pass-through Programs | | | 695,290 | 13,627 |
| Department of Health and Human Services (HHS) | | | | |
| Direct Program for 93.067 - Global Aids: Reinforcing HIV Clinical Services within a Network of Public Health Institutions in the Central Plateau | 93.067 | | 6,289,096 | |
| Direct Program for 93.738 - Racial and Ethnic Approaches to Community Health Policy, System and Environmental Change for Healthy Navajo Communities | 93.738 | | 870,069 | 822,807 |
| Research and Development Cluster | | | | |
| Pass-through Programs for 93.855: Passed through The General Hospital Corp. d/b/a Massachusetts General Hospital: Immune Responses to Viobrio Cholerae Infection and Vaccination in Haiti | 93.855 | 221574 | 216,952 | - |
| Passed through Boston University: Phase 2 Pharmacodynamic Study of High-dose Levoflaxacin in MDR-TB Treatment | 93.855 | UO1AI100805 | 2,326 | - |
| Passed through President and Fellows of Harvard College, Harvard Medical School: Integrated Discovery and Development of Innovative TB Diagnostics | 93.855 | 5U19AI109755-02 | 447,557 | - |
| Passed through Brigham and Women's Hospital: Human Subjects Core, Metabolic Factors That Control the Spectrum of Human Tuberculosis (TBRU) | 93.855 | 1U19A111224-01 | 367,441 | - |
| Passed through Brigham and Women's Hospital: T Cell responses to CD1Lipids | 93.855 | 5R01AI049313-17 | 20,236 | - |
| Passed through Brigham and Women's Hospital: NIH, AIDS Clinical Trials Group LOC | 93.855 | 5UM1AI068636-11 | 206,194 | - |
| Passed through Brigham and Women's Hospital: Innovative Interdisciplinary Approaches to Sustainable Airborne Infection Control | 93.855 | 114925 | 16,807 | - |
| Passed through Brigham and Women's Hospital: HRSA, Resilient and Responsive Health Systems, LI | 93.855 | 116337 | 376,760 | - |
| Passed through Brigham and Women's Hospital: Finding and Treating Unsuspected and Resistant TB to Reduce Hospital Transmission of Human Tuberculosis (TBRU) | 93.855 | R01AI112748 | 255,550 | <u>-</u> _ |
| Total CFDA #93.855 HHS Pass-through Programs | | | 1,909,823 | |
| Total Research and Development Cluster | | | 1,909,823 | |

Consolidated Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

| Federal Grantor/Pass-Through Grantor/Program Title | CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures | Passed through to Sub Recipients |
|---|----------------|--|-------------------------|----------------------------------|
| Pass-through Program for 93.286: | | | | |
| Passed through from Brigham and Women's Hospital: | | | | |
| Using mHealth Technology to identify and refer surgical site infections in Rwanda | 93.286 | 115533 | \$ 58,311 \$ | <u> </u> |
| Pass-through Program for 93.397: | | | | |
| Passed through Albert Einstein College of Medicine, Inc.: | | | | |
| Building Research Capacity to Address the Challenge of Non Communicable | | | | |
| Diseases and Injuries in Rwanda | 93.397 | 31122B | 2,541 | |
| Pass-through Program for 93.398: | | | | |
| Passed through Brigham and Women's Hospital: | | | | |
| Evaluating Breast Cancer Care in Rural Rwanda | 93.398 | 118913 | 19,771 | |
| Total HHS Direct and Pass-through Programs | | | 9,149,611 | 822,807 |
| Total Expenditures of Federal Awards | | | \$9,844,901 \$ | 836,434 |

Notes to Consolidated Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Note 1 - Basis of Presentation

The accompanying Consolidated Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Partners In Health under programs of the federal government for the year ended June 30, 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 Partners In Health, it is not intended to and does not present the consolidated financial position, changes in net assets or cash flows of Partners In Health.

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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Partners In Health has elected not to use the 10-percent de minimis indirect cost rate under the Uniform Guidance.



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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

Board of Directors Partners In Health 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 Partners In Health (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 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 November 19, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 the Organization'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.

November 19, 2019 Boston, Massachusetts

Mayu Hayeman McCann P.C.



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

Board of Directors Partners In Health Boston, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited Partners In Health's (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2019. The Organization'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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 the Organization'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 each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.





Report on Internal Control Over Compliance

Management of the Organization 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 the Organization'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 the Organization'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.

March 17, 2020

Boston, Massachusetts

Mayer Hayeman McCann P.C.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Section 1

Financial Statements 1. Type of report the auditor issued on whether the financial statements audited Unmodified were prepared in accordance with GAAP: 2. Internal control over financial reporting: Material weaknesses identified? No b. Significant deficiencies identified? None Reported 3. Noncompliance material to 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 Strengthening Integrated HIV and

> Cholera Care, Treatment and Prevention Services through **Directly Observed Treatment** Strategies in Haiti under the President's Emergency Plan for

Summary of Auditors' Results

AIDS Relief (PEPFAR)

93.738 Racial and Ethnic Approach to

Community Health

5. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

| Section 1 (Continued) | Summary of Auditors' Results |
|---|------------------------------|
| Federal Awards (Continued) | |
| 6. Auditee qualified as a low-risk auditee? | Yes |
| Section 2 | |
| Financial Statement Findings | |
| None noted. | |
| Section 3 | |
| Federal Award Findings and Questioned Costs | |
| None noted. | |