



**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, 2020 and 2019**



# PARTNERS IN HEALTH

## ***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, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matters**

As discussed in Note 2 to the consolidated financial statements, in 2020, Partners In Health adopted Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers* and ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

### **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**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2020 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.

*Maya Hoffman McCann P.C.*

November 17, 2020  
Boston, Massachusetts

# PARTNERS IN HEALTH

## Consolidated Statements of Financial Position

June 30,

	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 77,701,943	\$ 30,199,666
Contributions receivable, net	2,604,459	2,337,258
Grants and other receivables	7,143,427	10,549,733
Prepaid expenses and other assets	8,768,734	5,125,310
Investments	35,510,814	35,053,264
Property and equipment, net	<u>13,220,602</u>	<u>14,073,850</u>
<b>Total assets</b>	<b><u>\$ 144,949,979</u></b>	<b><u>\$ 97,339,081</u></b>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 23,366,027	\$ 20,171,054
Deferred revenue	<u>6,401,445</u>	<u>4,327,833</u>
<b>Total liabilities</b>	<b><u>29,767,472</u></b>	<b><u>24,498,887</u></b>
Net assets:		
Without donor restrictions	34,878,823	24,860,149
With donor restrictions	<u>80,303,684</u>	<u>47,980,045</u>
<b>Total net assets</b>	<b><u>115,182,507</u></b>	<b><u>72,840,194</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 144,949,979</u></b>	<b><u>\$ 97,339,081</u></b>

## PARTNERS IN HEALTH

### Consolidated Statement of Activities

Year Ended June 30, 2020  
(with comparative total for 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue, gains and other support:				
Contributions	\$ 82,661,613	\$ 79,075,685	\$ 161,737,298	\$ 118,486,924
Government and other grants and contracts	20,036,583	25,073,921	45,110,504	33,443,505
Gifts in kind and contributed services	7,164,114	318,118	7,482,232	3,194,274
Investment return	252,702	443,854	696,556	1,689,989
Gain on sale of asset and other income	1,502,792	664,083	2,166,875	2,757,922
Amounts appropriated for expenditure under spending policy	57,975	(57,975)	-	-
Net assets released from restrictions	73,202,677	(73,202,677)	-	-
<b>Total revenue, gains and other support</b>	<b>184,878,456</b>	<b>32,315,009</b>	<b>217,193,465</b>	<b>159,572,614</b>
Expenses:				
Program services	156,855,983	-	156,855,983	133,410,663
Development	7,365,558	-	7,365,558	7,650,414
General and administration	10,420,674	-	10,420,674	10,054,315
<b>Total expenses</b>	<b>174,642,215</b>	<b>-</b>	<b>174,642,215</b>	<b>151,115,392</b>
Changes in net assets from operations	10,236,241	32,315,009	42,551,250	8,457,222
Change in value of charitable gift annuity	-	8,630	8,630	49,618
Foreign currency translation adjustment	(217,567)	-	(217,567)	(488,644)
<b>Change in net assets for the year</b>	<b>10,018,674</b>	<b>32,323,639</b>	<b>42,342,313</b>	<b>8,018,196</b>
Net assets, beginning of year	24,860,149	47,980,045	72,840,194	64,821,998
<b>Net assets, end of year</b>	<b>\$ 34,878,823</b>	<b>\$ 80,303,684</b>	<b>\$ 115,182,507</b>	<b>\$ 72,840,194</b>

# PARTNERS IN HEALTH

## *Consolidated Statement of Activities*

*Year Ended June 30, 2019*

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Revenue, gains and other support:			
Contributions	\$ 66,084,205	\$ 52,402,719	\$ 118,486,924
Government and other grants and contracts	-	33,443,505	33,443,505
Gifts in kind and contributed services	2,841,580	352,694	3,194,274
Investment return	1,405,068	284,921	1,689,989
Gain on sale of asset and other income	2,567,502	190,420	2,757,922
Amounts appropriated for expenditure under spending policy	194,740	(194,740)	-
Net assets released from restrictions	<u>72,090,720</u>	<u>(72,090,720)</u>	<u>-</u>
<b>Total revenue, gains and other support</b>	<b><u>145,183,815</u></b>	<b><u>14,388,799</u></b>	<b><u>159,572,614</u></b>
Expenses:			
Program services	133,410,663	-	133,410,663
Development	7,650,414	-	7,650,414
General and administration	<u>10,054,315</u>	<u>-</u>	<u>10,054,315</u>
<b>Total expenses</b>	<b><u>151,115,392</u></b>	<b><u>-</u></b>	<b><u>151,115,392</u></b>
Changes in net assets from operations	(5,931,577)	14,388,799	8,457,222
Change in value of charitable gift annuity	-	49,618	49,618
Foreign currency translation adjustment	<u>(488,644)</u>	<u>-</u>	<u>(488,644)</u>
<b>Change in net assets for the year</b>	<b><u>(6,420,221)</u></b>	<b><u>14,438,417</u></b>	<b><u>8,018,196</u></b>
Net assets, beginning of year	<u>31,280,370</u>	<u>33,541,628</u>	<u>64,821,998</u>
<b>Net assets, end of year</b>	<b><u>\$ 24,860,149</u></b>	<b><u>\$ 47,980,045</u></b>	<b><u>\$ 72,840,194</u></b>

## PARTNERS IN HEALTH

### *Consolidated Statements of Functional Expenses*

*Years Ended June 30,*

	<b>2020</b>			
	<b><i>Program Services</i></b>	<b><i>Development</i></b>	<b><i>General and Administration</i></b>	<b><i>Total Expenses</i></b>
Human resources	\$ 56,404,212	\$ 1,783,715	\$ 6,516,913	\$ 64,704,840
Consumables	24,247,595	33,152	19,804	24,300,551
Durable goods	1,773,201	19,455	126,455	1,919,111
Operations	22,495,040	3,757,690	1,406,534	27,659,264
Administration	3,062,841	1,771,546	2,250,519	7,084,906
Infrastructure & equipment	3,628,319	-	88,449	3,716,768
Grants to partner organizations	45,244,775	-	12,000	45,256,775
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total functional expenses</b>	<b>\$ 156,855,983</b>	<b>\$ 7,365,558</b>	<b>\$ 10,420,674</b>	<b>\$ 174,642,215</b>
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>2019</b>			
	<b><i>Program Services</i></b>	<b><i>Development</i></b>	<b><i>General and Administration</i></b>	<b><i>Total Expenses</i></b>
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
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total functional expenses</b>	<b>\$ 133,410,663</b>	<b>\$ 7,650,414</b>	<b>\$ 10,054,315</b>	<b>\$ 151,115,392</b>
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See accompanying notes to the consolidated financial statements.



# PARTNERS IN HEALTH

## *Consolidated Statements of Cash Flows*

*Years Ended June 30,*

	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 42,342,313	\$ 8,018,196
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,649,733	1,632,400
Net realized and unrealized (gain) loss on investments	100,730	(246,819)
Net realized and unrealized (gain) loss on foreign currency contract	245,248	(321,618)
(Gain) loss on sale of property and equipment	8,614	(39,292)
Cash collected on contributions restricted for long-term investment	(51,000)	(50,000)
Changes in operating assets and liabilities:		
Contributions receivable	(267,201)	(2,152,031)
Grants and other receivables, net	3,161,058	(1,658,698)
Prepaid expenses and other assets	(3,643,424)	(181,638)
Accounts payable and accrued expenses	3,194,973	5,672,752
Deferred revenue	2,073,612	1,929,274
	<u>48,814,656</u>	<u>12,602,526</u>
<b>Net cash provided by operating activities</b>	<b>48,814,656</b>	<b>12,602,526</b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(806,363)	(3,373,708)
Proceeds from sale of property and equipment	1,264	59,144
Proceeds from the sale of investments	17,516,913	4,196,979
Purchases of investments	(18,075,193)	(11,625,833)
	<u>(1,363,379)</u>	<u>(10,743,418)</u>
<b>Net cash used in investing activities</b>	<b>(1,363,379)</b>	<b>(10,743,418)</b>
<b>Cash flows from financing activities:</b>		
Cash collected on contributions restricted for long-term investment	51,000	50,000
	<u>51,000</u>	<u>50,000</u>
<b>Net cash provided by financing activities</b>	<b>51,000</b>	<b>50,000</b>
<b>Net change in cash and cash equivalents</b>	<b>47,502,277</b>	<b>1,909,108</b>
Cash and cash equivalents, beginning of year	30,199,666	28,290,558
	<u>30,199,666</u>	<u>28,290,558</u>
<b>Cash and cash equivalents, end of year</b>	<b>\$ <u>77,701,943</u></b>	<b>\$ <u>30,199,666</u></b>

See accompanying notes to the consolidated financial statements.

# PARTNERS IN HEALTH

## *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 supports affiliated entities throughout the world in carrying out their program objectives. PIH consolidates the accounts of its affiliated entities when the standards of control and economic interest are met. Those entities include 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.

PIH frequently grants funds to partner organizations that are independent and thus not consolidated into its accounts. 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. 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 (the “Code”), and is generally exempt from income taxes at both a Federal and state level. 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.

# PARTNERS IN HEALTH

## *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.

#### ***Fair Value Measurements***

PIH defines 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 date. Fair value is determined using a hierarchy of valuation methods based on the nature of underlying data available to value such items. In addition, certain items that do not fit into the hierarchy system are valued at the net asset value per share which is deemed to be a practical expedient for fair value when certain criteria are met. 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 publically traded securities.

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 such as comparison to like instruments on the measurement date.

# PARTNERS IN HEALTH

## 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	25-46 years
Leasehold improvements	Over lesser of asset life or lease term
Vehicles and equipment	3-5 years
Capitalized software	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 and records amounts for this campus according to the policy above.

#### 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. Included in this category is the net investment in property and equipment as well as a board-designated fund established to set aside monies for the purpose of assuring longer term stability for core programs.

# PARTNERS IN HEALTH

## ***Notes to Consolidated Financial Statements***

### ***Note 2 - Summary of Significant Accounting Policies (Continued)***

#### ***Classification of Net Assets (Continued)***

- *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. Net assets with donor restrictions also includes accumulated unspent gains on endowment.

#### ***Recognition of Revenue and Deferred Revenue***

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Revenues are earned under both what are considered exchanges of values or contributed support.

Under accounting standards, revenue measurement for exchange type transactions is driven via a principles-based process that requires the entity to: 1) identify the contract with the customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations; and 5) recognize revenue when (or as) performance obligations are satisfied.

Revenue from government and other grants and contracts included in without donor restrictions are exchange transactions in which PIH earns revenue for providing services at an agreed upon rate as documented within the corresponding contract. Revenue is recognized as services are provided. Revenue from government and other grants and contracts included in with donor restrictions are considered conditional support and are discussed further later in this note.

Contributed support, including unconditional promises to give, are recognized as revenues as either without or with donor restrictions in the period verifiably committed by the donor, while conditional contributions are recorded as revenue as conditions are met. Contributions of assets other than cash are recorded at their estimated fair value and per the fair value policies described elsewhere in these policies. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows using a risk adjusted discount rate depending on the time period involved. Amortization of discounts are included in contribution revenue in accordance with the donor-imposed restrictions, if any. Contributions with donor-imposed restrictions that can be met through the passage of time or upon the incurring of expenses in accordance with the restriction are recorded as revenue within net assets with donor restrictions and reclassified to net assets without donor restrictions when such time or purpose restrictions have been satisfied.

Certain contributed support items are considered conditional contributions in that such amounts are not earned until certain performance barriers are met. For example, certain grants and contracts only allow for the reimbursement of costs under a specified framework and thus the revenue associated with such is not considered earned until such valid qualifying cost has been incurred. In other cases, conditional contributions might require that a matching amount of funds be raised or might provide for limited discretion by PIH over the use of funds. These funds are considered earned and are

# PARTNERS IN HEALTH

## ***Notes to Consolidated Financial Statements***

### ***Note 2 - Summary of Significant Accounting Policies (Continued)***

#### ***Recognition of Revenue and Deferred Revenue (Continued)***

reported as revenue when PIH has met their performance obligation which typically is incurring of expenditures or meeting other conditions of the support. Grant or contract funds received in advance, for which PIH has not met their applicable performance obligation, are accounted for as deferred revenue. Expenditures incurred in advance of funds being received under a conditional grant are recorded as revenue and as grants or accounts receivable when the costs are incurred.

One donor made up approximately 15% and 27% of total revenue for the years ended June 30, 2020 and 2019, respectively.

Investment returns are reported as revenue based on the fair value of such investments at year end. Such returns are allocated ratably based on the relative proportion of funds invested with donor restrictions and those without donor restrictions. Investment returns on the endowment are allocated to net assets with donor restrictions and remain in such category until appropriated by the board under the board approved spending policy unless otherwise required by the terms of the gift that they be added to the principal of the endowment.

Expenses are reported as decreases in net assets without donor restrictions.

#### ***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 at year end for assets and liabilities based on period end exchange rates 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.

#### ***Newly Adopted Accounting Standards***

In 2020, PIH adopted Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, associated with revenue recognition. This standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The guidance is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard addresses inconsistency in revenue recognition by outlining a principles-based system which requires that there be a contract

# PARTNERS IN HEALTH

## ***Notes to Consolidated Financial Statements***

### ***Note 2 - Summary of Significant Accounting Policies (Continued)***

#### ***Newly Adopted Accounting Standards (Continued)***

with a customer, that performance obligations be identified, that transaction price be determined, that transaction price is allocated to performance obligations and that revenue be recorded when or as the performance obligations are satisfied over the contract term. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. PIH adopted this standard using the modified retrospective approach on July 1, 2019.

Associated with the adoption of this standard, consideration was given the accounting treatment of certain costs to obtain and fulfill a contract. Certain incremental costs of obtaining a contract with a customer and costs incurred in fulfilling a contract with a customer, that are not in the scope of other existing guidance, should be analyzed for capitalization. There were no costs incurred to obtain and fulfill contracts and, accordingly, no change was made to this accounting.

In 2020, PIH also adopted ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The contribution standard addresses inconsistency in revenue recognition when an item should be considered a contribution or an exchange type transaction. Exchanges would be accounted for using the revenue recognition standards above. It also provides guidance as to when a contribution should be considered conditional which, for example, the case is often when funds are received under federal grants and contracts. Conditional contributions have different revenue recognition when compared to non-reciprocal transfers of resources in that amounts are reflected as earned when barriers to entitlement are overcome with any difference being deferred or a receivable as applicable. The contribution standard was applied using the modified retrospective approach on July 1, 2019.

The adoption of these standards did not impact PIH as the new accounting requirements for revenue measurement were determined to result in the same result as under prior accounting standards. Transactions in process were considered in evaluating the effects of this change.

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

#### ***Pending Accounting Standards***

Management expects to adopt ASU No. 2016-02, *Leases*, in a future period. The standard requires a lessee to recognize a right-of-use asset and a lease liability for all leases, initially measured at the present value of the lease payments, in its statement of financial position. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally, straight-line basis. The guidance also expands the required quantitative and qualitative disclosures surrounding leases. The ASU is effective in fiscal year 2022 for PIH. PIH is evaluating the impact of the new guidance on the consolidated financial statements.

Certain other accounting standards are also pending that management believes will not have a material effect on future periods and thus a summary of those has not been included here.

# PARTNERS IN HEALTH

## 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 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, PIH operating results vary from period to period, however, management seeks to build sufficient assets to fund its operations over time. Given the nature of recording contributed support, sometimes revenue items are recorded in advance of costs being incurred for programs while in other periods program operations are consuming prior support.

Financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisted of:

	2020	2019
Cash and cash equivalents	\$ 77,701,943	\$ 30,199,666
Investments	35,510,814	35,053,264
Grants receivable, net	7,143,427	10,549,733
Contribution receivable, net	2,604,459	2,337,258
Endowment appropriations for the next twelve months	268,685	268,562
Total financial assets	<u>123,229,328</u>	<u>78,408,483</u>
Less:		
Investments with liquidity horizons greater than one year	(12,035,160)	(14,453,062)
Contributions receivable due after one year, net	(1,290,238)	(1,342,794)
Contributions receivable with restrictions outside of general operating, net	(297,796)	(297,796)
Board designated funds	(15,857,860)	(9,622,701)
Funds with donor-imposed restrictions outside of general operating	<u>(31,186,262)</u>	<u>(24,583,490)</u>
<b>Total financial assets available to meet general expenditures within one year</b>	<b>\$ <u>62,562,012</u></b>	<b>\$ <u>28,108,640</u></b>

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 \$5.5 million, which it can draw down upon in the event of an unanticipated liquidity need.



# PARTNERS IN HEALTH

## 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 have been estimated to be collectable and thus a de minimis allowance for doubtful accounts as of June 30, 2020 and 2019.

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

	<b>2020</b>	<b>2019</b>
Amounts expected to be collected in:		
One year or less	\$ 1,314,321	\$ 1,023,194
Two to five years	1,280,000	1,400,000
Greater than five years	100,000	-
Less:		
Discount to present value	<u>(89,862)</u>	<u>(85,936)</u>
<b>Contributions receivable, net</b>	<b><u>\$ 2,604,459</u></b>	<b><u>\$ 2,337,258</u></b>

During 2020, PIH was awarded a contract by the Commonwealth of Massachusetts in the total amount of \$54,468,757 to assist with contact tracing and other services related to COVID-19. Revenue earned through June 30, 2020 was \$20,036,583, which includes billed amounts of \$19,944,114 and unbilled amounts of \$92,468 included in accounts receivable as of June 30, 2020. Management expects that the balance of the contract will be earned in fiscal 2021. The contract generally calls for hourly rates for services up to the contracted limit.

# PARTNERS IN HEALTH

## Notes to Consolidated Financial Statements

### Note 5 - Investments

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

	<b>2020</b>			
	<b>Investments</b>			
	<b>Measured</b>			
	<b>Total</b>	<b>at NAV</b>	<b>Level 1</b>	<b>Level 3</b>
<b>Investments</b>				
Cash equivalents	\$ 21,423,842	\$ -	\$ 21,423,842	\$ -
Mutual funds	601,429	-	601,429	-
Equity securities	4,732,908	-	4,732,908	-
Fixed income	8,291,287	-	8,291,287	-
Real estate investment trusts	110,841	-	110,841	-
Private equity and alternatives	311,054	311,054	-	-
Split interest agreements:				
Insurance contract	39,453	-	-	39,453
<b>Total assets at fair value</b>	<b>\$ 35,510,814</b>	<b>\$ 311,054</b>	<b>\$ 35,160,307</b>	<b>\$ 39,453</b>
	<b>2019</b>			
	<b>Investments</b>			
	<b>Measured</b>			
	<b>Total</b>	<b>at NAV</b>	<b>Level 1</b>	<b>Level 3</b>
<b>Investments</b>				
Cash equivalents	\$ 19,015,022	\$ -	\$ 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
<b>Total assets at fair value</b>	<b>\$ 35,053,264</b>	<b>\$ 374,723</b>	<b>\$ 34,647,718</b>	<b>\$ 30,823</b>

Investments measured at NAV have redemption periods of over ninety days.

There were no transfers between the levels within the fair value hierarchy during fiscal 2020 or 2019.

Unfunded commitments are \$184,860 as of June 30, 2020.

# PARTNERS IN HEALTH

## Notes to Consolidated Financial Statements

### Note 6 - Property and Equipment

Property and equipment is summarized as follows at June 30:

	<b>2020</b>	<b>2019</b>
Land	\$ 1,278,649	\$ 1,346,366
Building and improvements	9,823,073	9,825,897
Equipment and furniture	3,216,505	2,805,166
Vehicles	5,249,412	4,930,643
Capitalized software	2,359,697	2,363,165
Total property and equipment, gross	<u>21,927,336</u>	<u>21,271,237</u>
Less accumulated depreciation and amortization	<u>(8,706,734)</u>	<u>(7,197,387)</u>
<b>Total property and equipment, net</b>	<b><u>\$ 13,220,602</u></b>	<b><u>\$ 14,073,850</u></b>

Depreciation and amortization expense was \$1,649,733 and \$1,632,400 for the years ended June 30, 2020 and 2019, respectively.

### Note 7 - Net Assets and Endowment Related Matters

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

	<b>2020</b>	<b>2019</b>
Net investment in property and equipment	\$ 13,220,602	\$ 14,073,850
Board-designated assets	15,857,860	9,622,701
Other assets	<u>5,800,361</u>	<u>1,163,598</u>
	<b><u>\$ 34,878,823</u></b>	<b><u>\$ 24,860,149</u></b>

# PARTNERS IN HEALTH

## Notes to Consolidated Financial Statements

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

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

	<b>2020</b>			
	<b><i>Beginning Balance</i></b>	<b><i>Additions</i></b>	<b><i>Releases</i></b>	<b><i>Ending Balance</i></b>
Multi-Site Support	\$ 6,907,119	\$ 56,074,184	\$ (33,025,538)	\$ 29,955,765
UGHE	23,192,062	8,405,231	(7,662,132)	23,935,161
Sierra Leone	1,543,343	8,264,537	(2,218,183)	7,589,697
Haiti	1,146,743	14,512,250	(12,164,431)	3,494,562
Rwanda	2,704,522	3,969,552	(4,694,375)	1,979,699
US Strategy	1,402,491	1,871,165	(1,341,208)	1,932,448
Lesotho	59,192	2,908,216	(1,469,966)	1,497,442
Peru	1,394,117	5,929,720	(6,009,206)	1,314,631
Liberia	1,558,299	2,126,049	(2,485,012)	1,199,336
Mexico/Guatemala	1,107,226	961,106	(1,413,003)	655,329
Malawi	389,764	431,054	(719,623)	101,195
Total funds held for specific purpose	41,404,878	105,453,064	(73,202,677)	73,655,265
Endowment corpus	5,999,052	51,000	-	6,050,052
Accumulated unspent gains	576,115	80,227	(57,975)	598,367
Total endowment	6,575,167	131,227	(57,975)	6,648,419
<b>Total net assets with donor restrictions</b>	<b>\$ 47,980,045</b>	<b>\$ 105,584,291</b>	<b>\$ (73,260,652)</b>	<b>\$ 80,303,684</b>

# PARTNERS IN HEALTH

## Notes to Consolidated Financial Statements

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

	2019			
	<i>Beginning Balance</i>	<i>Additions</i>	<i>Releases</i>	<i>Ending Balance</i>
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	<u>27,156,260</u>	<u>86,339,338</u>	<u>(72,090,720)</u>	<u>41,404,878</u>
Endowment corpus	5,949,052	50,000	-	5,999,052
Accumulated unspent gains	436,316	334,539	(194,740)	576,115
Total endowment	<u>6,385,368</u>	<u>384,539</u>	<u>(194,740)</u>	<u>6,575,167</u>
<b>Total net assets with donor restrictions</b>	<b><u>\$ 33,541,628</u></b>	<b><u>\$ 86,723,877</u></b>	<b><u>\$ (72,285,460)</u></b>	<b><u>\$ 47,980,045</u></b>

#### ***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.

# PARTNERS IN HEALTH

## *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, 2020 and 2019:

	<b><i>With Donor Restrictions</i></b>	<b><i>Total</i></b>
Endowment assets and those functioning as endowment assets at July 1, 2018	\$ <u>6,385,368</u>	\$ <u>6,385,368</u>
Contributions and additions	50,000	50,000
Investment return	284,921	284,921
Change in value of charitable gift annuity	49,618	49,618
Expenditures:		
Appropriation of endowment assets for expenditure	<u>(194,740)</u>	<u>(194,740)</u>
Net change in endowment assets and those functioning as endowment assets	<u>189,799</u>	<u>189,799</u>
<b>Endowment assets and those functioning as endowment assets at June 30, 2019</b>	<b><u>6,575,167</u></b>	<b><u>6,575,167</u></b>
Contributions and additions	51,000	51,000
Investment return	71,597	71,597
Change in value of charitable gift annuity	8,630	8,630
Expenditures:		
Appropriation of endowment assets for expenditure	<u>(57,975)</u>	<u>(57,975)</u>
Net change in endowment assets and those functioning as endowment assets	<u>73,252</u>	<u>73,252</u>
<b>Endowment assets and those functioning as endowment assets at June 30, 2020</b>	<b><u>\$ 6,648,419</u></b>	<b><u>\$ 6,648,419</u></b>

# PARTNERS IN HEALTH

## *Notes to Consolidated Financial Statements*

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

#### *Endowment (Continued)*

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, unless restriction has been placed on the funds by donor, and are subject to the appropriation policies of the Board of Directors.

#### *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*

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, 2020, \$268,910 was calculated and approved for spending, of which \$57,975 was spent in accordance with the corresponding purpose. 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. Actual spend may vary from calculated spend based on stipulations imposed on such funds.

# PARTNERS IN HEALTH

## ***Notes to Consolidated Financial Statements***

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

#### ***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.

#### ***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% (2.7% and 4.9% at June 30, 2020 and 2019, respectively). PIH must repay the full principal and interest outstanding by December 31<sup>st</sup> 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. PIH maintains a letter of credit for \$500,000 in favor of its landlord which is considered utilization against the line and thus \$5.5 million of availability is available under this facility. There were no outstanding borrowings on the line at June 30, 2020 and 2019.

### ***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.



## PARTNERS IN HEALTH

### *Notes to Consolidated Financial Statements*

#### **Note 9 - Gifts in Kind and Contributed Services (Continued)**

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

	<b>2020</b>	<b>2019</b>
Donated medicines and goods	\$ 6,567,858	\$ 1,998,766
Contributed services	<u>914,374</u>	<u>1,195,508</u>
<b>Estimated fair value of donations</b>	<b><u>\$ 7,482,232</u></b>	<b><u>\$ 3,194,274</u></b>

#### **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:

	<b>2020</b>	<b>2019</b>
Zanmi Lasante (Haitian NGO)	\$ 35,514,635	\$ 34,065,909
Médecins Sans Frontières (French NGO)	2,675,019	3,118,764
Massachusetts League of Community Health Centers	1,839,603	-
Community Outreach & Patient Empowerment (COPE)	1,524,702	941,452
President & Fellows of Harvard College	1,307,463	1,574,631
IRD Global Limited (UAE NGO working in Pakistan)	1,186,065	1,570,066
Brigham and Women's Hospital	612,399	507,610
Grassroot Soccer, Inc.	87,777	-
Development Communication Trust (Malawi NGO)	72,218	-
Rwanda Military Hospital	50,372	-
Stanford University	48,554	51,495
Boston Medical Center	29,666	57,980
Northwestern University	11,836	65,738
Ministry of Health (Government of Peru)	-	1,198,800
National Institute of Penitentiary (Peru NGO)	-	344,109
Summits Education	-	100,000
Eugene Ball Foundation (US NGO working in North Korea)	-	83,649
Rwanda Network of People Living With HIV	-	48,668
Other	<u>296,466</u>	<u>426,566</u>
	<b><u>\$ 45,256,775</u></b>	<b><u>\$ 44,155,437</u></b>

# PARTNERS IN HEALTH

## Notes to Consolidated Financial Statements

### Note 10 - Grants to Partner Organizations (Continued)

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) and IRD Global are related to specific activities each organization is performing as a sub-recipient on an endTB grant from UNITAID. Grants to Massachusetts League of Community Health Centers are related to COVID-19 contact tracing activities as a sub-recipient awarded by the Commonwealth of Massachusetts. 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 Grassroot Soccer, Inc are related to technical assistance activities on a Global Affairs Canada project. Grants to Development Communication Trust are related to a grant from the World Diabetes Foundation. Grants to Rwanda Military Hospital and Stanford University are for activities related to a Hepatitis-C clinical trial grant from Gilead Sciences, Inc. Grants to Boston Medical Center are for activities related to grants for the treatment of non-communicable diseases in Haiti and Rwanda. Grants to Northwestern University are for maternal child health research in Rwanda.

### 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 \$89,082 and \$118,733 in cash on behalf of these entities as of June 30, 2020 and 2019, respectively.

### Note 12 - Charitable Gift Annuities Liability

Payments to beneficiaries of charitable gift annuities are recorded as liabilities in the statement of financial position using present value calculations based on actuarial tables and discount rates given the time periods involved. PIH recorded liabilities of \$1,026,035 and \$942,360 in charitable gift annuity liabilities as of June 30, 2020 and 2019, respectively.

### Note 13 - 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 2020 to hedge against foreign currency fluctuations related to the South African Rand. A loss of \$(214,495) and a gain of \$321,618 are included in investment return as of June 30, 2020 and 2019, respectively.

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

<b>Country</b>	<b>Maturity Dates</b>	<b>Forward Position in U.S. Dollars</b>	<b>Local Currency</b>
South Africa	July 31, 2020 - March 31, 2021	\$ 1,800,000	27,963,600 Rand

# PARTNERS IN HEALTH

## Notes to Consolidated Financial Statements

### Note 14 - Commitments and Contingencies

#### Leases

PIH leases certain office space under non-cancelable operating leases that expire through 2039. Certain of the leases provide for additional rents for increases in the underlying operating costs of the property that underlie the lease such as taxes and operating costs. A number of leases are renewed on an annual basis. Total rental expense amounted to \$3,266,664 in fiscal 2020 and \$3,476,626 in fiscal 2019.

Future minimum lease rentals are as follows as of June 30, 2020:

	<b>Base</b>	<b>Sublease</b>	<b>Net</b>
2021	\$ 2,245,395	\$ 567,710	\$ 1,677,685
2022	2,032,988	190,560	1,842,428
2023	2,051,744	-	2,051,744
2024	1,970,868	-	1,970,868
2025	1,895,572	-	1,895,572
Thereafter	<u>3,967,400</u>	<u>-</u>	<u>3,967,400</u>
	<b>\$ 14,163,967</b>	<b>\$ 758,270</b>	<b>\$ 13,405,697</b>

#### Contingencies

PIH is subject to post award oversight relative to certain of its revenue under federal, state and awarded by other funders. Management believes that it is in compliance with all material requirements associated with its various funders and thus believes that any post award review would not have a material effect on reported amounts.

PIH's mission is delivering high quality health care to people and communities suffering from the joint burdens of poverty and disease. The COVID-19 pandemic has impacted the communities PIH serves which has led to some additional funding during 2020 via grants and donor contributions. This additional funding has continued through the date of this report and is expected to be spent down in fiscal year 2021.

### Note 15 - 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 \$356,000 and \$344,000 during the years ended June 30, 2020 and 2019, respectively.

# PARTNERS IN HEALTH

## *Notes to Consolidated Financial Statements*

### ***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, 2020 through November 17, 2020, which was the date the consolidated financial statements were available to be issued, and determined that no other subsequent event activity required disclosure.

***Supplemental Information***

**PARTNERS IN HEALTH**

**Consolidated Schedule of Expenditures of Federal Awards**

Year Ended June 30, 2020

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures</i>	<i>Passed through to Sub Recipients</i>
<b>Agency for International Development (USAID)</b>				
<b>Direct Programs for 98.001 - USAID Foreign Assistance for Programs Overseas:</b>				
Development of a Locally Produced Bean-Based Ready-to-use therapeutic food in Rwanda	98.001		\$ 68,700	\$ 23,578
COVID-19 Response in Peru	98.001		740,138	-
<b>Total USAID Direct Programs for 98.001 - USAID Foreign Assistance for Programs Overseas</b>			<b>808,838</b>	<b>23,578</b>
<b>Pass-through Programs for 98.001 - USAID Foreign Assistance for Programs Overseas:</b>				
Passed through Elizabeth Glaser Pediatric AIDS Foundation USAID Lesotho - PUSH Project	98.001	04597-00	339,251	-
Passed through Global Communities Rwanda Improved Services for Vulnerable Populations	98.001	ISVP-15-01-PIH	242,090	-
<b>Total USAID Pass-through Programs for 98.001 - USAID Foreign Assistance for Programs Overseas</b>			<b>581,341</b>	<b>-</b>
<b>Total CFDA #98.001 USAID Direct and Pass-through Programs</b>			<b>1,390,179</b>	<b>23,578</b>
<b>Direct Program for 98.003 - USAID Ocean Freight Reimbursement Program (OFR):</b>				
Overseas Transportation for Voluntary Relief Shipments Exclusive of PL 480 Title II Food Donations	98.003		22,928	-
<b>Total USAID Direct and Pass-through Programs</b>			<b>1,413,107</b>	<b>23,578</b>
<b>Department of Health and Human Services (HHS)</b>				
<b>Direct Program for 93.067 - Global Aids:</b>				
Reinforcing HIV Clinical Services within a Network of Public Health Institutions in the Central Plateau	93.067		5,394,117	-
<b>Direct Program for 93.738 - Racial and Ethnic Approaches to Community Health</b>				
Policy, System and Environmental Change for Healthy Navajo Communities	93.738		609,992	577,485
<b>Research and Development Cluster</b>				
<b>Pass-through Programs for 93.855:</b>				
Passed through The General Hospital Corp. d/b/a Massachusetts General Hospital: Immune Responses to Vibrio Cholerae Infection and Vaccination in Haiti	93.855	233301	111,034	-
Passed through Harvard Medical School: Integrated Discovery and Development of Innovative TB Diagnostics, Peru	93.855	5U19AI109755-05	181,266	-
Passed through Harvard Medical School: Accompanying HIV-positive adolescents through the transition into adult care: a feasibility study	93.855	1R21AI143365-01	68,365	-
Passed through Harvard Medical School: Integrated Development and Discovery of Diagnostics for Drug Resistant Tuberculosis	93.855	1U19AI142793-01	140,732	-
Passed through Beth Israel Deaconess Medical Center, Inc.: Optimizing Diagnostic Strategies for TB Transmission Control in Healthcare Facilities, Peru	93.855	5K23AI32648-02	48,175	-
Passed through The George Washington University: Terry Beirn CPCRA Clinical Trials Unit	93.855	5UM1AI069503-14	53,758	-
Passed through the Regents of the University of California: UCLA, AIDS Clinical Trial Group Network	93.855	7UM1AI068636-13	33,104	-
Passed through Brigham and Women's Hospital: Human Subjects Core, Metabolic Factors That Control the Spectrum of Human Tuberculosis (TBRU)	93.855	1U19A111224-01	249,505	-
Passed through Brigham and Women's Hospital: NIH, AIDS Clinical Trials Group LOC	93.855	5UM1AI068636-11	344,104	-
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	148,198	-
<b>Total CFDA #93.855 HHS Pass-through Programs</b>			<b>1,378,241</b>	<b>-</b>
<b>Total Research and Development Cluster</b>			<b>1,378,241</b>	<b>-</b>

**PARTNERS IN HEALTH**

**Consolidated Schedule of Expenditures of Federal Awards**

Year Ended June 30, 2020

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Passed through to Sub Recipients</u>
<b>Pass-through Program for 93.243</b> Passed through from Great Plains Tribal Chairmen's Health Board: GPTCHB/RST Project LAUNCH	93.243	1H79SM080173-01	\$ <u>135</u>	\$ <u>-</u>
<b>Pass-through Program for 93.266</b> Passed through Brigham and Women's Hospital: HRSA, Resilient and Responsive Health Systems, LI	93.266	116337	<u>491,874</u>	<u>-</u>
<b>Pass-through Program for 93.310</b> Passed through Harvard Medical School: New approaches to optimizing the application and measuring the impact of community-based tuberculosis interventions	93.310	1DP2MD015102-01	<u>45,848</u>	<u>-</u>
<b>Pass-through Program for 93.397:</b> 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	<u>2,945</u>	<u>-</u>
<b>Pass-through Program for 93.398:</b> Passed through Brigham and Women's Hospital: Evaluating Breast Cancer Care in Rural Rwanda	93.398	118913	<u>19,531</u>	<u>-</u>
<b>Total HHS Direct and Pass-through Programs</b>			<u><b>7,942,683</b></u>	<u><b>577,485</b></u>
<b>Department of the Treasury</b>				
<b>Pass-through Programs for 21.019</b> Passed through the Commonwealth Health Insurance Connector Authority Coronavirus Relief Fund	21.019		<u>20,036,583</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$ 29,392,373</b></u>	<u><b>\$ 601,063</b></u>

# PARTNERS IN HEALTH

## ***Notes to Consolidated Schedule of Expenditures of Federal Awards***

***Year Ended June 30, 2020***

### ***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, 2020. 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.



***Reporting Under Government Auditing Standards***



*Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance with 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, 2020, 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 17, 2020.

***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.

*Maya Heyman McCann P.C.*

November 17, 2020  
Boston, Massachusetts

***Reporting Under the Uniform Guidance***



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

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 the Organization's major federal program for the year ended June 30, 2020. The Organization's major federal program is 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 the Organization's major federal program 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 the 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 its major federal program for the year ended June 30, 2020.

### **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 program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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.

*Maya Hoffman McCann P.C.*

February 3, 2021  
Boston, Massachusetts

# PARTNERS IN HEALTH

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2020

### Section 1

### Summary of Auditors' Results

#### Financial Statements

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

21.019

Coronavirus Relief Fund

- |   |           |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$881,771 |
| 6. Auditee qualified as a low-risk auditee?                                 | Yes       |

**PARTNERS IN HEALTH**

***Schedule of Findings and Questioned Costs***

*Year Ended June 30, 2020*

***Section 2***

***Financial Statement Findings***

None noted.

***Section 3***

***Federal Award Findings and Questioned Costs***

None noted.