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, 2021 and 2020



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

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Mayer Hoffman McCann P.C.



500 Boylston Street ■ Boston, MA 02116 Main: 617.761.0600 ■ Fax: 617.761.0601

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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, 2021 and 2020, 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 16, 2021 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 16, 2021 Boston, Massachusetts

Layer Hayeman McCann P.C.

Consolidated Statements of Financial Position

June 30,

		2021		2020
Assets				
Cash and cash equivalents	\$	98,973,213	\$	77,701,943
Contributions receivable, net		1,539,909		2,604,459
Grants and other receivables		12,016,036		7,143,427
Prepaid expenses and other assets		6,841,661		8,768,734
Investments		45,434,690		35,510,814
Property and equipment, net	_	14,611,332	_	13,220,602
Total assets	\$ _	179,416,841	\$ _	144,949,979
Liabilities and Net Assets				
Accounts payable and accrued expenses	\$	21,849,346	\$	23,366,027
Deferred revenue	_	11,287,175		6,401,445
Total liabilities	_	33,136,521		29,767,472
Net assets:				
Without donor restrictions		60,373,105		34,878,823
With donor restrictions	_	85,907,215		80,303,684
Total net assets	_	146,280,320	. <u>-</u>	115,182,507
Total liabilities and net assets	\$	179,416,841	\$	144,949,979

Consolidated Statement of Activities

Year Ended June 30, 2021 (with comparative total for 2020)

	2021						2020
		Without		With			_
		Donor		Donor			
		Restrictions		Restrictions		Total	Total
Revenue, gains and other support:							
Contributions	\$	79,638,645	\$	69,533,665	\$	149,172,310	\$ 161,737,298
Government and other grants and contracts		110,992,243		39,828,858		150,821,101	45,110,504
Gifts in kind and contributed services		7,209,471		1,388,831		8,598,302	7,482,232
Investment return		1,607,224		1,429,035		3,036,259	696,556
Gain on sale of asset and other income		974,229		618,279		1,592,508	2,166,875
Expenditures from appropriated amounts under							
spending policy		221,307		(221,307)		_	-
Net assets released from restrictions		106,967,494		(106,967,494)		-	
Total revenue, gains and other support		307,610,613		5,609,867		313,220,480	 217,193,465
Expenses:							
Program services		263,365,433		_		263,365,433	156,855,983
Development		7,294,708		_		7,294,708	7,365,558
General and administration		11,990,360				11,990,360	 10,420,674
Total expenses		282,650,501				282,650,501	 174,642,215
Changes in net assets from operations		24,960,112		5,609,867		30,569,979	42,551,250
Change in value of charitable gift annuity		_		(6,336)		(6,336)	8,630
Foreign currency translation adjustment		534,170		(0,000)		534,170	(217,567)
1 oroign currency translation adjustment	•	004,170	•			004,170	 (217,007)
Change in net assets for the year		25,494,282		5,603,531		31,097,813	42,342,313
Net assets, beginning of year		34,878,823		80,303,684	-	115,182,507	 72,840,194
Net assets, end of year	\$	60,373,105	\$	85,907,215	\$	146,280,320	\$ 115,182,507

Consolidated Statement of Activities

Year Ended June 30, 2020

	Without Donor	With Donor		
	Restrictions	Restrictions		Total
Revenue, gains and other support:				
Contributions	\$ 82,661,613	\$ 79,075,685	\$	161,737,298
Government and other grants and contracts	20,036,583	25,073,921		45,110,504
Gifts in kind and contributed services	7,164,114	318,118		7,482,232
Investment return	252,702	443,854		696,556
Gain on sale of asset and other income	1,502,792	664,083		2,166,875
Expenditures from appropriated amounts under				
spending policy	57,975	(57,975)		-
Net assets released from restrictions	73,202,677	(73,202,677)	_	
Total revenue, gains and other support	184,878,456	32,315,009		217,193,465
Total Toveriae, game and other support	10-1,07-0,-100	02,010,000	-	217,100,100
Expenses:				
Program services	156,855,983	-		156,855,983
Development	7,365,558	-		7,365,558
General and administration	10,420,674		-	10,420,674
Total expenses	174,642,215	<u>-</u>	_	174,642,215
Changes in net assets from operations	10,236,241	32,315,009		42,551,250
Change in value of charitable gift annuity	_	8,630		8,630
Foreign currency translation adjustment	(217,567)	<u>-</u>	-	(217,567)
Change in net assets for the year	10,018,674	32,323,639		42,342,313
Net assets, beginning of year	24,860,149	47,980,045	_	72,840,194
Net assets, end of year	\$ 34,878,823	\$ 80,303,684	\$ _	115,182,507

Consolidated Statements of Functional Expenses

Years Ended June 30,

				2	20	21		
	_	Program				General and		Total
		Services		Development		Administration		Expenses
Human resources	\$	129,221,496	\$	2,327,740	\$	7,078,895	\$	138,628,131
Consumables		30,150,600		35,779		22,542		30,208,921
Durable goods		3,921,151		33,351		163,644		4,118,146
Operations		24,738,774		3,375,747		1,259,198		29,373,719
Administration		6,172,594		1,522,091		3,432,940		11,127,625
Infrastructure & equipment		5,403,042		-		33,141		5,436,183
Grants to partner organizations	-	63,757,776	-				-	63,757,776
Total functional expenses	\$_	263,365,433	\$	7,294,708	\$	11,990,360	\$	282,650,501
				2	20	20		
	-	Program				General and		Total
		Services		Development		Administration		Expenses
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
Total functional expenses	\$_	156,855,983	\$	7,365,558	\$	10,420,674	\$	174,642,215

Consolidated Statements of Cash Flows

Years Ended June 30,

	2021		2020
Cash flows from operating activities:			
Change in net assets \$	31,097,813	\$	42,342,313
Adjustments to reconcile change in net assets to net cash	01,001,010	Ψ	,0,0 .0
provided by operating activities:			
Depreciation and amortization	1,465,681		1,649,733
Net realized and unrealized (gain) loss on investments	(2,449,189)		100,730
Net realized and unrealized (gain) loss	,		,
on foreign currency contract	(399,419)		245,248
(Gain) loss on sale of property and equipment	(36,114)		8,614
Cash collected on contributions			
restricted for long-term investment	(50,000)		(51,000)
Changes in operating assets and liabilities:			
Contributions receivable	1,064,550		(267,201)
Grants and other receivables, net	(4,473,190)		3,161,058
Prepaid expenses and other assets	1,927,073		(3,643,424)
Accounts payable and accrued expenses	(1,516,681)		3,194,973
Deferred revenue	4,885,730	. <u>-</u>	2,073,612
Net cash provided by operating activities	31,516,254	. <u>-</u>	48,814,656
Cash flows from investing activities:			
Purchase of property and equipment	(2,888,023)		(806,363)
Proceeds from sale of property and equipment	67,726		1,264
Proceeds from the sale of investments	6,887,844		17,516,913
Purchases of investments	(14,362,531)		(18,075,193)
Net cash used in investing activities	(10,294,984)		(1,363,379)
		_	
Cash flows from financing activities:			
Cash collected on contributions restricted for long-term investment	50,000	-	51,000
Net cash provided by financing activities	50,000	. <u>-</u>	51,000
Net change in cash and cash equivalents	21,271,270		47,502,277
Cash and cash equivalents, beginning of year	77,701,943	. <u>-</u>	30,199,666
Cash and cash equivalents, end of year \$	98,973,213	\$_	77,701,943

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), 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. PIH assists strategic partners through covering operating costs, most notably with Zanmi Lasante and Community Outreach & Patient Empowerment. 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.

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 the summary of significant accounting 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.

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 party, 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 property and equipment 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.

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 the endowments.

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.

Earned Revenues

Under accounting standards, revenue measurement for earned revenues are considered exchange type transactions which are recorded as revenue using 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 arrangement. Revenue is recognized as services are provided. Certain revenue from government and other grants and contracts is considered contributed support and thus is included in with donor restrictions as more fully discussed below.

One grantor provided approximately 35% and 9% total revenue for the years ended June 30, 2021 and 2020, respectively.

Contributed Support

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.

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Recognition of Revenue and Deferred Revenue (Continued)

Contributed Support (Continued)

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 reported as revenue when PIH has met their performance obligation which typically is incurring of expenditures or meeting other conditions of the support. Funds received in advance under these arrangements are accounted for as deferred revenue until PIH has met its applicable performance obligations. 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 funder provided approximately 14% and 15% of total revenue for the years ended June 30, 2021 and 2020, respectively.

Investment Returns

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.

Expense Recognition

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.

Grants to Partner Organizations

PIH often awards grants to partner organizations. PIH supports various activities, including, both organizational operating costs as well as program specific grants in areas such as, non-communicable diseases, tuberculosis research, and COVID-19. Grants made to partner organizations are recognized as expenses without donor restrictions in the period to which PIH verifiably commits to the grant or as applicable expenditures are incurred.

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

Pending Accounting Standards

Management expects to adopt Accounting Standards Update ("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 2023 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.

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's 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.

Notes to Consolidated Financial Statements

Note 3 - Liquidity and Availability (Continued)

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

		2021	2020
Cash and cash equivalents	\$	98,973,213 \$	77,701,943
Investments		45,434,690	35,510,814
Grants receivable, net		12,016,036	7,143,427
Contribution receivable, net		1,539,909	2,604,459
Endowment appropriations for the next twelve months	_	285,432	268,685
Total financial assets		158,249,280	123,229,328
Less:			
Investments with liquidity horizons greater than one year		(13,644,102)	(12,035,160)
Contributions receivable due after one year, net		(208,743)	(1,290,238)
Contributions receivable with restrictions outside of general operating, net		(345,207)	(297,796)
Board designated funds		(19,377,587)	(15,857,860)
Funds with donor-imposed restrictions outside of general operating	_	(50,644,624)	(31,186,262)
Total financial assets available to meet general expenditures			
within one year	\$_	74,029,017 \$	62,562,012

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.

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 and 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 has been provided as of June 30, 2021 and 2020.

Notes to Consolidated Financial Statements

Note 4 - Receivables (Continued)

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

		2021	2020
Amounts expected to be collected in: One year or less Two to five years Greater than five years	\$	1,372,217 \$ 150,000 75,000	1,314,321 1,280,000 100,000
Less: Discount to present value	_	(57,308)	(89,862)
Contributions receivable, net	\$_	1,539,909 \$	2,604,459

Note 5 - Investments

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

	2021							
	Investments Measured							
		Total		at NAV		Level 1		Level 3
Investments								
Cash equivalents	\$	32,012,786	\$	-	\$	32,012,786	\$	-
Mutual funds		645,379		-		645,379		-
Equity securities		6,965,077		-		6,965,077		-
Fixed income		5,225,232		-		5,225,232		-
Real estate investment trusts		167,070		-		167,070		-
Private equity and alternatives		386,029		386,029		-		_
Split interest agreements:								
Insurance contract	-	33,117	-	-		-		33,117
Total assets at fair value	\$_	45,434,690	\$	386,029	\$	45,015,544	\$	33,117

Notes to Consolidated Financial Statements

Note 5 - Investments (Continued)

				20	20			
		Investments Measured						
		Total		at NAV		Level 1		Level 3
Investments								
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
Total assets at fair value	\$	35,510,814	\$	311,054	\$	35,160,307	\$_	39,453

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 2021 or 2020. Unfunded commitments are \$184,860 as of June 30, 2021.

Note 6 - Property and Equipment

Property and equipment is summarized as follows at June 30:

	2021	2020
Land Building and improvements	\$ 1,211,368 11,584,497	\$ 1,278,649 9,823,073
Equipment and furniture	3,854,466	3,216,505
Vehicles Capitalized software	5,313,232 2,379,792	5,249,412 2,359,697
Total property and equipment, gross	24,343,355	21,927,336
Less accumulated depreciation and amortization	(9,732,023)	(8,706,734)
Total property and equipment, net	\$ 14,611,332	\$13,220,602

Depreciation and amortization expense was \$1,465,681 and \$1,649,733 for the years ended June 30, 2021 and 2020, respectively.

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:

		2021		2020
Net investment in property and equipment	\$	14,611,332	\$	13,220,602
Board-designated assets		19,377,587		15,857,860
Other assets	_	26,384,186	_	6,800,361
	_		-	_
	\$_	60,373,105	\$	35,878,823

Contributions are made to the board-designated assets both through legacy gifts that are without donor restrictions and at the discretion of the board.

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

	2021					
	Beginning					Ending
	Balance		Additions		Releases	Balance
Multi-Site Support	29,955,765	\$	54,940,601	\$	(49,489,811) \$	35,406,555
UGHE	23,935,161		4,890,378		(11,855,565)	16,969,974
Sierra Leone	7,589,697		9,391,662		(4,250,006)	12,731,353
Haiti	3,494,562		19,873,222		(18,940,217)	4,427,567
Rwanda	1,979,699		2,750,686		(1,567,311)	3,163,074
US Strategy	1,932,448		4,084,914		(3,000,636)	3,016,726
Lesotho	1,497,442		1,432,270		(2,453,797)	475,915
Peru	1,314,631		10,941,732		(11,154,827)	1,101,536
Liberia	1,199,336		1,490,539		(2,257,051)	432,824
Mexico/Guatemala	655,329		485,070		(1,103,965)	36,434
Malawi	101,195		1,091,311	_	(894,308)	298,198
Total funds held for specific purpose	73,655,265		111,372,385		(106,967,494)	78,060,156
Endowment corpus	6,050,052		50,000		-	6,100,052
Accumulated unspent gains	598,367		1,369,947	_	(221,307)	1,747,007
Total endowment	6,648,419		1,419,947		(221,307)	7,847,059
Total net assets with donor restrictions	80,303,684	\$	112,792,332	\$	(107,188,801) \$	85,907,215

Notes to Consolidated Financial Statements

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

	2020					
	_	Beginning				Ending
		Balance		Additions	Releases	Balance
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
Total net assets with donor restrictions	\$	47,980,045	\$	105,584,291 \$	(73,260,652) \$	80,303,684

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:

		2021	2020
Endowment assets and those functioning as endowment assets at July 1	\$_	6,648,419 \$	6,575,167
Contributions and additions		50,000	51,000
Investment return		1,376,283	71,597
Change in value of charitable gift annuity		(6,336)	8,630
Expenditures: Expenditures from appropriation of endowment assets	_	(221,307)	(57,975)
Net change in endowment assets and those functioning as endowment assets	_	1,198,640	73,252
Endowment assets and those functioning as endowment assets at June 30	\$ __	7,847,059 \$	6,648,419

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 are subject to 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.

Notes to Consolidated Financial Statements

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

Interpretation of Relevant Law (Continued)

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, 2021, \$268,685 was calculated and approved for spending, of which \$221,307 was spent in accordance with the corresponding purpose. 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. Actual spend may vary from calculated spend based on stipulations imposed on such funds.

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.

Notes to Consolidated Financial Statements

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% (2.6% and 2.7% at June 30, 2021 and 2020, respectively). 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. PIH also 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 the line of credit is available. There were no outstanding borrowings on the line at June 30, 2021 and 2020.

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:

		2021	2020
Donated medicines and goods Contributed services	\$	6,368,625 2,229,677	\$ 6,567,858 914,374
Estimated fair value of donations	\$_	8,598,302	\$ 7,482,232

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:

		2021		2020
Zanmi Lasante (Haitian NGO)	\$	42,947,294	\$	35,514,635
Research Triangle Institute		5,651,249		-
Massachusetts League of Community Health Centers		3,998,780		1,839,603
Médecins Sans Frontiéres (French NGO)		3,538,565		2,675,019
Community Outreach & Patient Empowerment (COPE)		2,534,915		1,524,702
Other	_	5,086,972		3,702,816
	\$	63,757,775	\$	45,256,775
	Ψ_	33,737,773	Ψ_	40,200,770

Notes to Consolidated Financial Statements

Note 10 - Grants to Partner Organizations (Continued)

Grants to Zanmi Lasante in Haiti are for operating costs, including salaries and benefits, pharmaceuticals, construction, equipment and furnishings, and social support.

Grants to Research Triangle Institute and 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 Médecins Sans Frontiéres (MSF) are related to specific activities the organization is performing as a sub-recipient on an end-TB grant from UNITAID.

Grants to Community Outreach & Patient Empowerment (COPE) and Dine College are for specific activities taking place in the Navajo Nation.

Other grants includes grants made for various activities under end-TB, non-communicable disease grants, and grants made for COVID-19 relief.

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 \$69,898 and \$89,082 in cash on behalf of these entities as of June 30, 2021 and 2020, respectively.

Note 12 - Charitable Gift Annuities

Payments to beneficiaries of charitable gift annuities are recorded as liabilities in the consolidated statements of financial position using present value calculations based on actuarial tables and discount rates given the time periods involved. PIH recorded charitable gift annuity liabilities of \$1,273,201 and \$1,026,035 as of June 30, 2021 and 2020, respectively.

Charitable gift annuity assets are included within the investment portfolio and are separately managed for the benefit of the annuitants. Total charitable gift annuity assets totaled approximately \$3,727,000 and \$2,892,000 as of June 30, 2021 and 2020, 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 2021 to hedge against foreign currency fluctuations related to the South African Rand. A gain of \$399,419 and a loss of \$(245,248) are included in investment return as of June 30, 2021 and 2020, respectively.

Notes to Consolidated Financial Statements

Note 13 - Derivatives and Foreign Currency Transactions (Continued)

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

Country	Maturity Dates	Forward Position in U.S. Dollars	Local Currency
South Africa	July 1, 2021 - November 30, 2022	\$ 3,400,000	53,173,500 Rand
South Africa	July 1, 2020 - June 30, 2021	\$ 2,400,000	37,118,660 Rand

Note 14 - Commitments and Contingencies

Leases

PIH leases certain office space under non-cancelable operating leases that expire through 2039. Of these non-cancelable operating leases, certain leases provide for additional rents related to increases in the underlying 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 \$3,044,931 and \$3,266,664 during the years ended June 30, 2021 and 2020, respectively.

Future minimum lease rentals are as follows as of June 30, 2021:

		Base	Sublease	Net
2022	\$	2,314,552	\$ 571,680	\$ 1,742,872
2023		2,065,746	579,620	1,486,126
2024		1,977,326	194,530	1,782,796
2025		1,901,666	-	1,901,666
2026		1,927,215	-	1,927,215
Thereafter	_	2,039,472	 _	 2,039,472
	\$_	12,225,977	\$ 1,345,830	\$ 10,880,147

Contingencies

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

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 \$514,000 and \$356,000 during the years ended June 30, 2021 and 2020, respectively.

Notes to Consolidated Financial Statements

Note 16 - Federal Support Associated with COVID

Contact Tracing Program

The Commonwealth of Massachusetts entered into the contract with PIH in the amount of \$162,058,499 to assist with contact tracing and other services related to COVID-19. Revenue earned was \$110,992,243 and \$20,036,583 for the years ended June 30, 2021 and 2020, respectively. The contract generally calls for hourly rates for services up to the contracted limit. The contract runs through December 31, 2021 and it is expected that 2022 revenues will be significantly lower given the remaining funding available under this arrangement.

Note 17 - 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, 2021 through November 16, 2021, 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, 2021

Federal Grantor/Pass-Through Grantor/Program/Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed through to Sub Recipients
Agency for International Development (USAID)				
Direct Programs for 98.001 - USAID Foreign Assistance for Programs Overseas: Development of a Locally Produced Bean-Based Ready-to-use therapeutic food in Rwanda	98.001		\$ 20,766	\$ 14,080
Protection and Health Assistance for Communities Affected by COVID-19 in Peru	98.001		1,000,000	-
COVID-19 Response in Peru	98.001		2,510,788	
Total USAID Direct Programs for 98.001 - USAID Foreign Assistance for Prog	rams Overseas		3,531,554	14,080
Pass-through Programs for 98.001 - USAID Foreign Assistance for Programs Overs Passed through Elizabeth Glaser Pediatric AIDS Foundation	eas:			
USAID Lesotho - PUSH Project	98.001	04597-00	91,318	-
Passed through The Regents of the University of California Sustaining Technical and Analytic Resources (STAR)	98.001	12646sc	113,639	-
Passed through OnePower Lesotho (Pty) Ltd. Electrifying 7 Partners in Health rural health clinics in Lesotho in support of infrastructure upgrades including COVID-19 response program rollout	98.001	0216352-G-2020-017-A	43,519	-
Passed through ZANMI LASANTE Strengthening Capacity for Respiratory Stabilization and Ventilator Use in Haiti	98.001	7200AA19CA00002	40,326	-
Passed through Global Communities Rwanda Improved Services for Vulnerable Populations	98.001	ISVP-15-01-PIH	(873)	
Total USAID Pass-through Programs for 98.001 - USAID Foreign Assistance for	or Programs Overseas		287,929	
Total Assistance Listing Number 98.001 USAID Direct and Pass-through Prog	rams		3,819,483	14,080
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		7,698	
Total USAID Direct and Pass-through Programs	55.555		3,827,181	14,080
Department of Health and Human Services (HHS)				
Direct Program for 93.011 - HRSA:				
Community-Based Workforce to Increase COVID-19 Vaccinations in Underserved Communities	93.011		291,703	160,971
Direct Programs for 93.067 - Global Aids: Reinforcing HIV Clinical Services within a Network of Public Health Institutions in the Central Plateau	93.067		4,592,119	
Reinforcing HIV Clinical Services within a Network of Public Health Institutions in	93.007		4,392,119	-
the Central Plateau and the Lower Artibonite of Haiti under the President's Emergency Plan for AIDS Relief (PEPFAR)	93.067		280,317	
Total Assistance Listing Number 93.067 HHS Direct Programs Global Aids			4,872,436	
Direct Programs for 93.738 - Racial and Ethnic Approaches to Community Health: PPHF 2012: Racial and Ethnic Approaches to Community Health Program				
financed solely by 2012 Public Prevention and Health Funds	93.738		27,986	-
Policy, System and Environmental Change for Healthy Navajo Communities	93.738		844,287	819,443
Total Assistance Listing Number 93.738 HHS Direct Programs Racial and Ethnic Approaches to Community Health			872,273	819,443

Consolidated Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program/Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed through to Sub Recipients
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	233301	\$ 85,921	-
Passed through President and Fellows of Harvard College, Harvard Medical School: Integrated Discovery and Development of Innovative TB Diagnostics	93.855	5U19AI109755-02	67,555	-
Passed through Harvard Medical School: Accompanying HIV-positive adolescents through the transition into adult care: a feasibility study	93.855	1R21Al143365-01	56,273	-
Passed through Harvard Medical School:				
Integrated Development and Discovery of Diagnostics for Drug Resistant Tuberculosis	93.855	1U19AI142793-01	418,259	-
Passed through Beth Israel Deaconess Medical Center, Inc.:				
Optimizing Diagnostic Strategies for TB Transmission Control in Healthcare Facilities, Peru	93.855	5K23Al32648-02	14,602	-
Passed through The George Washington University:				
Terry Beirn CPCRA Clinical Trials Unit	93.855	5UM1AI069503-14	207,427	-
Passed through the Regents of the University of California: UCLA, AIDS Clinical Trial Group Network	93.855	7UM1AI068636-13	254,956	-
Passed through Brigham and Women's Hospital:				
Finding and Treating Unsuspected and Resistant TB to Reduce Hospital Transmission of Human Tuberculosis (TBRU)	93.855	1U19A111224-01	115,159	-
Passed through President and Fellows of Harvard College, Harvard Medical School:				
Strengthening Evidence on Optimal Multidrug-resistant tuberculosis treatment regimens through improved epidemiologic methods	93.855	5U19AI109755-02	177,438	-
Passed through Brigham and Women's Hospital: Safety and tolerability of new and repurposed drugs for MDR-TB treatment	93.855	120758	7,557	-
Passed through Brigham and Women's Hospital:				
Establish the International Network for Strategic Initiatives in Global HIV Trials ("INSIGHT")	93.855	M76-PE-651-2011-8	572,256	
Total Assistance Listing Number 93.855 HHS Pass-through Programs			1,977,403	
Total Research and Development Cluster			1,977,403	
Pass-through Program for 93.242:				
Passed through Rand Corporation: RAND/NIH, Mental Health Screening for HIV Care, MA	93.242	SCON-00000354	186,134	
Pass-through Program for 93.266:				
Passed through Brigham and Women's Hospital: HRSA, Resilient and Responsive Health Systems, LI	93.266	116337	831,687	_
TINOA, Resilient and Responsive Fleatur Gysteris, El	33.200	110357	001,007	
Pass-through Program for 93.310: Passed through Harvard Medical School:				
New approaches to optimizing the application and measuring the impact of community-based tuberculosis interventions	93.310	1DP2MD015102-01	137,018	
Pass-through Program for 93.398:				
Passed through Brigham and Women's Hospital: Evaluating Breast Cancer Care in Rural Rwanda	93.398	118913	17,296_	
Pass-through Programs for 93.989: Passed through Harvard Medical School:				
Telemedicine to improve the diagnosis of surgical site infections post-cesarean delivery in rural Rwanda	93.989	149874.5107598.0002	38,893	-
Passed through Rhode Island Hospital:	03.000	EV04TW040820 04	62.445	
Teens on TB Treatment: Predicting Adherence through Clinical Decision Analysis Total Assistance Listing Number 93.989 Pass-through Programs	93.989	5K01TW010829-04	63,415 102,308	
Department of Treasury				
Pass-through Program for 21.019: Passed through the Commonwealth Health Insurance Connector Authority Coronavirus Relief Fund	21.019		110,992,243	9,680,782
Total Expenditures on Federal Awards			\$ <u>124,107,682</u> \$	

Notes to Consolidated Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

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, 2021. 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.



Mayer Hoffman McCann P.C.



500 Boylston Street ■ Boston, MA 02116 Main: 617.761.0600 ■ Fax: 617.761.0601

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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, 2021, 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 16, 2021.

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) as a basis for designing 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 consolidated financial statements. 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 16, 2021

Mayer Hayeman McCann P.C.



Mayer Hoffman McCann P.C.



500 Boylston Street ■ Boston, MA 02116 Main: 617.761.0600 ■ Fax: 617.761.0601

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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 the Organization's major federal programs for the year ended June 30, 2021. 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 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 the major federal programs. 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 programs for the year ended June 30, 2021.

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.

November 16, 2021 Boston, Massachusetts

Layu Hayeman McCann P.C.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

Se	ection 1	Summary of Auditors' Results			
<u>Fil</u>	nancial 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?b. Significant deficiencies identified?	No None Reported			
3.	Noncompliance material to financial statements noted?	No			
<u>Fe</u>	deral Awards				
1.	Internal control over major federal programs: a. Material weaknesses identified?b. Significant deficiencies identified?	No 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:				
	Assistance Listing Number	Name of Federal Program or Cluster			
	21.019 98.001	Coronavirus Relief Fund USAID Foreign Assistance for Programs Overseas			
5.	Dollar threshold used to distinguish between Type A and Type B programs:	\$3,000,000			

6. Auditee qualified as a low-risk auditee?

Yes

Schedule of Findings and Questioned Costs

Year Ended June 30, 2021

Section 2

Financial Statement Findings

None noted.

Section 3

Federal Award Findings and Questioned Costs

None noted.