



# **Consolidated Financial Statements**

## **Partners In Health**

**June 30, 2022 and 2021**



# PARTNERS IN HEALTH

## *Consolidated Financial Statements*

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## *Independent Auditors' Report*

Board of Directors  
Partners In Health  
Boston, Massachusetts

### ***Opinion***

We have audited the consolidated financial statements of Partners In Health (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2022 and 2021, and the consolidated changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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



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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

*Maye Hoffman McCann P.C.*

Boston, Massachusetts  
December 12, 2022

# PARTNERS IN HEALTH

## Consolidated Statements of Financial Position

June 30,

	2022	2021
<b>Assets</b>		
Cash and cash equivalents	\$ 174,531,058	\$ 98,973,213
Contributions receivable, net	3,610,704	1,539,909
Grants and other receivables	11,708,275	12,016,036
Prepaid expenses and other assets	11,717,765	6,841,661
Investments	63,275,708	45,434,690
Property and equipment, net	<u>17,949,921</u>	<u>14,611,332</u>
<b>Total assets</b>	<b><u>\$ 282,793,431</u></b>	<b><u>\$ 179,416,841</u></b>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 26,930,266	\$ 21,849,346
Deferred revenue	<u>18,294,122</u>	<u>11,287,175</u>
<b>Total liabilities</b>	<b><u>45,224,388</u></b>	<b><u>33,136,521</u></b>
Net assets:		
Without donor restrictions	124,900,616	60,373,105
With donor restrictions	<u>112,668,427</u>	<u>85,907,215</u>
<b>Total net assets</b>	<b><u>237,569,043</u></b>	<b><u>146,280,320</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 282,793,431</u></b>	<b><u>\$ 179,416,841</u></b>

## PARTNERS IN HEALTH

### Consolidated Statement of Activities

Year Ended June 30, 2022  
(with comparative total for 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue, gains and other support:				
Contributions	\$ 159,705,018	\$ 91,090,688	\$ 250,795,706	\$ 149,172,310
Government and other grants and contracts	24,032,737	50,897,028	74,929,765	150,821,101
Gifts in kind and contributed services	7,794,124	1,652,279	9,446,403	8,598,302
Investment (loss) return	(627,283)	(846,547)	(1,473,830)	3,036,259
Gain on sale of asset and other income	585,570	976,256	1,561,826	1,592,508
Expenditures from appropriated amounts under spending policy	233,143	(233,143)	-	-
Net assets released from restrictions	116,767,529	(116,767,529)	-	-
<b>Total revenue, gains and other support</b>	<b>308,490,838</b>	<b>26,769,032</b>	<b>335,259,870</b>	<b>313,220,480</b>
Expenses:				
Program services	220,093,624	-	220,093,624	263,365,433
Development	8,629,958	-	8,629,958	7,294,708
General and administration	14,778,763	-	14,778,763	11,990,360
<b>Total expenses</b>	<b>243,502,345</b>	<b>-</b>	<b>243,502,345</b>	<b>282,650,501</b>
Changes in net assets from operations	64,988,493	26,769,032	91,757,525	30,569,979
Change in value of charitable gift annuity	-	(7,820)	(7,820)	(6,336)
Foreign currency translation adjustment	(460,982)	-	(460,982)	534,170
<b>Change in net assets for the year</b>	<b>64,527,511</b>	<b>26,761,212</b>	<b>91,288,723</b>	<b>31,097,813</b>
Net assets, beginning of year	60,373,105	85,907,215	146,280,320	115,182,507
<b>Net assets, end of year</b>	<b>\$ 124,900,616</b>	<b>\$ 112,668,427</b>	<b>\$ 237,569,043</b>	<b>\$ 146,280,320</b>

# PARTNERS IN HEALTH

## *Consolidated Statement of Activities*

*Year Ended June 30, 2021*

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Revenue, gains and other support:			
Contributions	\$ 79,638,645	\$ 69,533,665	\$ 149,172,310
Government and other grants and contracts	110,992,243	39,828,858	150,821,101
Gifts in kind and contributed services	7,209,471	1,388,831	8,598,302
Investment return	1,607,224	1,429,035	3,036,259
Gain on sale of asset and other income	974,229	618,279	1,592,508
Expenditures from appropriated amounts under spending policy	221,307	(221,307)	-
Net assets released from restrictions	106,967,494	(106,967,494)	-
<b>Total revenue, gains and other support</b>	<b>307,610,613</b>	<b>5,609,867</b>	<b>313,220,480</b>
Expenses:			
Program services	263,365,433	-	263,365,433
Development	7,294,708	-	7,294,708
General and administration	11,990,360	-	11,990,360
<b>Total expenses</b>	<b>282,650,501</b>	<b>-</b>	<b>282,650,501</b>
Changes in net assets from operations	24,960,112	5,609,867	30,569,979
Change in value of charitable gift annuity	-	(6,336)	(6,336)
Foreign currency translation adjustment	534,170	-	534,170
<b>Change in net assets for the year</b>	<b>25,494,282</b>	<b>5,603,531</b>	<b>31,097,813</b>
Net assets, beginning of year	34,878,823	80,303,684	115,182,507
<b>Net assets, end of year</b>	<b>\$ 60,373,105</b>	<b>\$ 85,907,215</b>	<b>\$ 146,280,320</b>

## PARTNERS IN HEALTH

### *Consolidated Statements of Functional Expenses*

*Years Ended June 30,*

	<b>2022</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	\$ 81,565,991	\$ 3,151,049	\$ 9,274,767	\$ 93,991,807
Consumables	31,178,130	32,762	117,555	31,328,447
Durable goods	3,714,837	32,879	54,240	3,801,956
Operations	28,655,524	3,482,563	2,213,539	34,351,626
Administration	7,632,542	1,930,705	3,118,662	12,681,909
Infrastructure & equipment	10,348,133	-	-	10,348,133
Grants to partner organizations	56,998,467	-	-	56,998,467
<b>Total functional expenses</b>	<b>\$ <u>220,093,624</u></b>	<b>\$ <u>8,629,958</u></b>	<b>\$ <u>14,778,763</u></b>	<b>\$ <u>243,502,345</u></b>
	<b>2021</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	\$ 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
<b>Total functional expenses</b>	<b>\$ <u>263,365,433</u></b>	<b>\$ <u>7,294,708</u></b>	<b>\$ <u>11,990,360</u></b>	<b>\$ <u>282,650,501</u></b>

See accompanying notes to the consolidated financial statements.



**PARTNERS IN HEALTH**  
**Consolidated Statements of Cash Flows**

*Years Ended June 30,*

	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 91,288,723	\$ 31,097,813
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,439,891	1,465,681
Net realized and unrealized (gain) loss on investments	1,834,750	(2,449,189)
Net realized and unrealized gain on foreign currency contract	(219,005)	(399,419)
Gain on sale of property and equipment	(16,788)	(36,114)
Cash collected on contributions restricted for long-term investment	(975,158)	(50,000)
Changes in operating assets and liabilities:		
Contributions receivable	(2,070,795)	1,064,550
Grants and other receivables, net	526,766	(4,473,190)
Prepaid expenses and other assets	(4,876,104)	1,927,073
Accounts payable and accrued expenses	5,080,920	(1,516,681)
Deferred revenue	7,006,947	4,885,730
	<u>99,020,147</u>	<u>31,516,254</u>
<b>Net cash provided by operating activities</b>	<b>99,020,147</b>	<b>31,516,254</b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(4,788,345)	(2,888,023)
Proceeds from sale of property and equipment	26,653	67,726
Proceeds from the sale of investments	5,867,746	6,887,844
Purchases of investments	(25,543,514)	(14,362,531)
	<u>(24,437,460)</u>	<u>(10,294,984)</u>
<b>Net cash used in investing activities</b>	<b>(24,437,460)</b>	<b>(10,294,984)</b>
<b>Cash flows from financing activities:</b>		
Cash collected on contributions restricted for long-term investment	975,158	50,000
	<u>975,158</u>	<u>50,000</u>
<b>Net cash provided by financing activities</b>	<b>975,158</b>	<b>50,000</b>
<b>Net change in cash and cash equivalents</b>	<b>75,557,845</b>	<b>21,271,270</b>
Cash and cash equivalents, beginning of year	98,973,213	77,701,943
	<u>98,973,213</u>	<u>77,701,943</u>
<b>Cash and cash equivalents, end of year</b>	<b>\$ <u>174,531,058</u></b>	<b>\$ <u>98,973,213</u></b>

# 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), 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.

#### ***Not-for-profit Status and 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.

#### ***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. A substantial portion of cash balances include donor restrictions and deferred revenue type items.

# PARTNERS IN HEALTH

## *Notes to Consolidated Financial Statements*

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

#### *Cash and Cash Equivalents (Continued)*

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 publicly 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.

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.

# PARTNERS IN HEALTH

## Notes to Consolidated Financial Statements

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

#### 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 operated in partnership by PIH and the local governments to deliver health care services. 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, non-recurring transformation gifts, and a board-designated fund established to set aside monies for the purpose of assuring longer term stability for core programs.
- *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.

# PARTNERS IN HEALTH

## *Notes to Consolidated Financial Statements*

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

#### ***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. Two funders provided approximately 28% and 49% of total revenue for the years ended June 30, 2022 and 2021, respectively.

#### ***Exchange Transactions***

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.

#### ***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.

# PARTNERS IN HEALTH

## *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.

PIH also records certain gifts-in-kind that are recorded as revenue and expenses, such as medical supplies which are valued based on wholesale values that would be incurred for purchasing similar medicines and goods. PIH also receives in-kind professional services, primarily pro bono legal support, which are valued at the estimated fair value of the current rate of similar legal services. PIH does not sell in-kind contributions to support its operations.

##### *Investment (Loss) Return*

Investment (loss) return includes interest, dividends, realized and unrealized (losses) and gains net of investment management fees using fair value of the underlying position as of year end. The net investment (loss) return is allocated ratably based on the relative proportion of funds invested with donor restrictions and those without donor restrictions. Amounts allocated to endowment type funds 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 the terms of the gift contain other instructions on use in which case those requirements are followed.

##### *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 year-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.

# PARTNERS IN HEALTH

## *Notes to Consolidated Financial Statements*

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

#### ***Grants to Partner Organizations***

PIH routinely 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.

#### ***Functional Allocation of Expenses***

The costs of implementing 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.

#### ***Use of Estimates***

The preparation of the consolidated 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.

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

Management expects to adopt Accounting Standards Update (“ASU”) No. 2016-02, *Leases*, in fiscal 2023. 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. 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 has sought to operate with at least a balanced budget in recent years, though there may be periods in the future in which the decision is made to utilize accumulated resources for current program needs.

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

	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 174,531,058	\$ 98,973,213
Investments	63,275,708	45,434,690
Grants receivable, net	11,708,275	12,016,036
Contribution receivable, net	3,610,704	1,539,909
Endowment appropriations for the next twelve months	313,617	285,432
Total financial assets	<u>253,439,362</u>	<u>158,249,280</u>
Less:		
Investments with liquidity horizons greater than one year	(13,272,372)	(13,644,102)
Contributions receivable due after one year, net	(3,251,277)	(208,743)
Contributions receivable with restrictions outside of general operating, net	(184,038)	(345,207)
Board designated funds	(30,575,083)	(19,377,587)
Funds with donor-imposed restrictions outside of general operating	<u>(73,736,518)</u>	<u>(50,644,624)</u>
<b>Total financial assets available to meet general expenditures within one year</b>	<b><u>\$ 132,420,074</u></b>	<b><u>\$ 74,029,017</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 which had availability of \$5.5 million as of June 30, 2022 and 2021, 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 pending receipt as of 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 no allowance for doubtful accounts has been provided as of June 30, 2022 and 2021.

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

	<b>2022</b>	<b>2021</b>
Amounts expected to be collected in:		
One year or less	\$ 402,554	\$ 1,372,217
Two to five years	901,122	150,000
Greater than five years	3,162,357	75,000
Less:		
Discount to present value	<u>(855,329)</u>	<u>(57,308)</u>
<b>Contributions receivable, net</b>	<b><u>\$ 3,610,704</u></b>	<b><u>\$ 1,539,909</u></b>

### **Note 5 - Investments**

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

	<b>2022</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	\$ 50,690,270	\$ -	\$ 50,690,270	\$ -
Mutual funds	701,131	-	701,131	-
Equity securities	6,342,660	-	6,342,660	-
Fixed income	4,949,028	-	4,949,028	-
Real estate investment trusts	137,700	-	137,700	-
Private equity and alternatives	429,622	429,622	-	-
Split interest agreements:				
Insurance contract	<u>25,297</u>	<u>-</u>	<u>-</u>	<u>25,297</u>
<b>Total assets at fair value</b>	<b><u>\$ 63,275,708</u></b>	<b><u>\$ 429,622</u></b>	<b><u>\$ 62,820,789</u></b>	<b><u>\$ 25,297</u></b>

# PARTNERS IN HEALTH

## Notes to Consolidated Financial Statements

### Note 5 - Investments (Continued)

	2021			
	Total	Investments Measured at NAV	Level 1	Level 3
<b>Investments</b>				
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
	<u>33,117</u>	<u>-</u>	<u>-</u>	<u>33,117</u>
<b>Total assets at fair value</b>	<b>\$ <u>45,434,690</u></b>	<b>\$ <u>386,029</u></b>	<b>\$ <u>45,015,544</u></b>	<b>\$ <u>33,117</u></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 2022 or 2021.

Unfunded commitments amounted to \$184,860 as of June 30, 2022.

### Note 6 - Property and Equipment

Property and equipment is summarized as follows at June 30:

	2022	2021
Land	\$ 1,179,019	\$ 1,211,368
Building and improvements	13,919,510	11,584,497
Equipment and furniture	5,172,083	3,854,466
Vehicles	6,268,832	5,313,232
Capitalized software	2,527,217	2,379,792
Total property and equipment, gross	<u>29,066,661</u>	<u>24,343,355</u>
Less accumulated depreciation and amortization	<u>(11,116,740)</u>	<u>(9,732,023)</u>
<b>Total property and equipment, net</b>	<b>\$ <u>17,949,921</u></b>	<b>\$ <u>14,611,332</u></b>

Depreciation and amortization expense was \$1,439,891 and \$1,465,681 for the years ended June 30, 2022 and 2021, respectively.

# PARTNERS IN HEALTH

## 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:

	<b>2022</b>		<b>2021</b>
Net investment in property and equipment	\$ 17,949,921	\$	14,611,332
Board-designated assets	30,575,083		19,377,587
Non-recurring transformational gifts	45,905,074		-
Other assets	<u>30,470,538</u>		<u>26,384,186</u>
	<b><u>\$ 124,900,616</u></b>	<b>\$</b>	<b><u>60,373,105</u></b>

Contributions are made to the board-designated assets at the discretion of the board.

In fiscal 2022, PIH received a transformational level, undesignated gift that has provided a growth opportunity for the organization through the use of these funds towards the strategic plan over the next several years. Management has segregated this amount as it expected to monitor and track the use of these resources over time.

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

	<b>2022</b>			
	<b>Beginning Balance</b>	<b>Additions and Net Investment Returns</b>	<b>Releases</b>	<b>Ending Balance</b>
Multi-Site Support	\$ 35,406,555	\$ 59,622,533	\$ (38,887,346)	\$ 56,141,742
Sierra Leone	12,731,353	9,662,201	(4,293,701)	18,099,853
Haiti	4,427,567	24,897,090	(15,186,684)	14,137,973
UGHE	16,969,974	6,688,418	(14,105,828)	9,552,564
US Strategy	3,016,726	17,576,336	(17,002,101)	3,590,961
Rwanda	3,163,074	1,957,593	(4,047,095)	1,073,572
Mexico/Guatemala	36,434	1,592,065	(752,690)	875,809
Malawi	298,198	1,610,706	(1,334,263)	574,641
Peru	1,101,536	17,647,065	(18,197,744)	550,857
Liberia	432,824	1,735,627	(1,908,552)	259,899
Lesotho	475,915	693,795	(1,051,525)	118,185
Total funds held for specific purpose	<u>78,060,156</u>	<u>143,683,429</u>	<u>(116,767,529)</u>	<u>104,976,056</u>
Endowment corpus	6,100,052	975,158	-	7,075,210
Accumulated unspent gains	<u>1,747,007</u>	<u>(896,703)</u>	<u>(233,143)</u>	<u>617,161</u>
Total endowment	<u>7,847,059</u>	<u>78,455</u>	<u>(233,143)</u>	<u>7,692,371</u>
<b>Total net assets with donor restrictions</b>	<b><u>\$ 85,907,215</u></b>	<b><u>\$ 143,761,884</u></b>	<b><u>\$ (117,000,672)</u></b>	<b><u>\$ 112,668,427</u></b>

## PARTNERS IN HEALTH

### Notes to Consolidated Financial Statements

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

	2021			
	<i>Beginning Balance</i>	<i>Additions and Net Investment Returns</i>	<i>Releases</i>	<i>Ending Balance</i>
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	<u>73,655,265</u>	<u>111,372,385</u>	<u>(106,967,494)</u>	<u>78,060,156</u>
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	<u>6,648,419</u>	<u>1,419,947</u>	<u>(221,307)</u>	<u>7,847,059</u>
<b>Total net assets with donor restrictions</b>	<b>\$ 80,303,684</b>	<b>\$ 112,792,332</b>	<b>\$ (107,188,801)</b>	<b>\$ 85,907,215</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:

	<b>2022</b>	<b>2021</b>
Endowment assets and those functioning as endowment assets at July 1	\$ <u>7,847,059</u>	\$ <u>6,648,419</u>
Contributions and additions	975,158	50,000
Investment return	(888,883)	1,376,283
Change in value of charitable gift annuity	(7,820)	(6,336)
Expenditures:		
Expenditures from appropriation of endowment assets	<u>(233,143)</u>	<u>(221,307)</u>
Net change in endowment assets and those functioning as endowment assets	<u>(154,688)</u>	<u>1,198,640</u>
<b>Endowment assets and those functioning as endowment assets at June 30</b>	<b>\$ <u>7,692,371</u></b>	<b>\$ <u>7,847,059</u></b>

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.

# **PARTNERS IN HEALTH**

## ***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, 2022, \$285,432 was calculated and approved for spending, of which \$233,143 was spent in accordance with the corresponding purpose. 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. 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.

# PARTNERS IN HEALTH

## 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. The line bears interest as a variable rate as defined in the agreement which would have resulted in interest rates of 4.1% and 2.6% at June 30, 2022 and 2021, respectively, if the line of credit had been in use. 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 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, 2022 and 2021.

### Note 9 - Gifts in Kind and Contributed Services

PIH receives donations of medicines and other goods, as well as contributed legal services without charge. Donated medicines and goods are used to carry out PIH's mission at each of its locations. 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. There are no donor-imposed restrictions on any gifts in kind and contributed services at June 30, 2022 and 2021.

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

	<b>2022</b>	<b>2021</b>
Donated medicines and goods	\$ 7,049,745	\$ 6,368,625
Contributed services	<u>2,396,658</u>	<u>2,229,677</u>
<b>Estimated fair value of donations</b>	<b><u>\$ 9,446,403</u></b>	<b><u>\$ 8,598,302</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>2022</b>	<b>2021</b>
Zanmi Lasante (Haitian NGO)	\$ 41,174,961	\$ 42,947,294
Community Organized Relief Effort (CORE)	3,482,270	97,730
Médecins Sans Frontières (French NGO)	2,225,340	3,538,565
Community Outreach & Patient Empowerment (COPE)	1,330,488	2,534,915
Peru Ministry of Health	1,035,991	636,425
Other	<u>7,749,417</u>	<u>14,002,846</u>
	<b><u>\$ 56,998,467</u></b>	<b><u>\$ 63,757,775</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 operating costs, including salaries and benefits, pharmaceuticals, construction, equipment and furnishings, and social support.

Grants to Community Organized Relief Effort (CORE) are for specific activities performed as a sub-recipient on a COVID-19 vaccination project from the Health Resources and Service Administration (HRSA) department within the United States Government.

Grants to Médecins Sans Frontières (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) are for specific activities taking place in the Navajo Nation.

Grants to the Peru Ministry of Health are primarily for specific activities under a Global Fund and USAID grant related to renovating and equipping government-run health centers and oxygen plants.

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

### **Note 11 - 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 \$1,534,329 and \$1,273,201 as of June 30, 2022 and 2021, 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 \$3,608,000 and \$3,727,000 as of June 30, 2022 and 2021, respectively.

### **Note 12 - Derivatives and Foreign Currency Transactions**

The Organization's use of derivatives is limited to one foreign currency contract. PIH entered into a forward contract during fiscal year 2021 to hedge against foreign currency fluctuations related to the South African Rand. A loss of (\$219,005) and a gain of \$399,419 are included in investment (loss) return as of June 30, 2022 and 2021, 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 1, 2021 - November 30, 2022	\$ 1,000,000	15,879,380 Rand



# PARTNERS IN HEALTH

## Notes to Consolidated Financial Statements

### Note 13 - 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 such as taxes and operating costs associated with the premises. A number of leases are renewed on an annual basis. Total rental expense amounted to \$3,313,490 and \$3,044,931 during the years ended June 30, 2022 and 2021, respectively.

Future minimum lease rentals are as follows as of June 30, 2022:

	<b>Base</b>	<b>Sublease</b>	<b>Net</b>
2023	\$ 2,382,955	\$ 579,620	\$ 1,803,335
2024	2,061,127	194,530	1,866,597
2025	1,967,827	-	1,967,827
2026	2,003,714	-	2,003,714
2027	1,990,142	-	1,990,142
Thereafter	<u>95,866</u>	<u>-</u>	<u>95,866</u>
	<b>\$ <u>10,501,631</u></b>	<b>\$ <u>774,150</u></b>	<b>\$ <u>9,727,481</u></b>

#### 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 with 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 14 - Retirement Plan

PIH has a qualified defined contribution retirement plan organized under IRS Code Section 401(k) that covers substantially all U.S.-based employees. Expenses under the plan were approximately \$670,000 and \$514,000 during the years ended June 30, 2022 and 2021, respectively.

### Note 15 - Federal Support Associated with COVID

#### Contact Tracing Program

The Commonwealth of Massachusetts entered into the contract with PIH to assist with contact tracing and other services related to COVID-19. Revenue earned was \$24,089,845 and \$110,992,243 for the years ended June 30, 2022 and 2021, respectively. The contract generally calls for hourly rates for services up to the contracted limit. Services under this contract have concluded.

# 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, 2022 through December 12, 2022, which was the date the consolidated financial statements were available to be issued, and determined that no other subsequent event activity required recognition or disclosure.