

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

December 31, 2012 and 2011



Mayer Hoffman McCann P.C.
Tofias New England Division
An Independent CPA Firm

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Financial Statements

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Independent Auditors' Report

The Board of Directors
Clinton Health Access Initiative, Inc.
Boston, Massachusetts

We have audited the accompanying consolidated financial statements of Clinton Health Access Initiative, Inc. and Subsidiaries (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2012, and the related consolidated statements of activities, statements of functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 2012 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Clinton Health Access Initiative, Inc. and Subsidiaries as of December 31, 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

The financial statements of Clinton Health Access Initiative, Inc. and Subsidiaries as of December 31, 2011, were audited by other auditors whose report dated June 27, 2012, expressed an unmodified opinion on those statements.

Mayer Hoffman McCann P.C.

May 23, 2013
Boston, Massachusetts

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position

	<i>December 31,</i>	
	<i>2012</i>	<i>2011</i>
Assets		
Cash and cash equivalents	\$ 9,249,360	\$ 5,123,177
Assets held by affiliate	37,032,812	11,847,920
Assets limited as to use	18,106,977	26,891,784
Accounts receivable	438,460	554,183
Contributions receivable	1,967,780	4,127,910
Grants receivable	960,851	2,837,385
Prepaid expenses	726,215	315,897
Property and equipment, net of accumulated depreciation	355,683	664,590
Total assets	\$ 68,838,138	\$ 52,362,846
Liabilities and Net Assets		
Accounts payable	\$ 2,592,877	\$ 2,426,776
Accrued expenses	2,129,593	2,093,517
Deferred revenue	21,526,701	6,641,424
Assets held for commodities purchase	13,606,258	23,533,002
Due to affiliate	3,558,496	3,815,555
Total liabilities	43,413,925	38,510,274
Net assets:		
Unrestricted deficit	(2,097,229)	(3,421,094)
Temporarily restricted	27,521,442	17,273,666
Total net assets	25,424,213	13,852,572
Total liabilities and net assets	\$ 68,838,138	\$ 52,362,846

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Statements of Activities

Years Ended December 31,

	<u>2012</u>			<u>2011</u>
	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>	<i>Total</i>
Revenues and support:				
Contributions	\$ 1,596,184	\$ 43,811,858	\$ 45,408,042	\$ 35,124,857
Grants	39,040,613	-	39,040,613	26,446,294
Grant from affiliate	2,000,000	2,000,000	4,000,000	3,150,000
In-kind contributions	743,776	-	743,776	695,579
Other	246,592	-	246,592	223,013
Net assets released from restrictions	35,564,082	(35,564,082)	-	-
Total revenues, gains and other support	79,191,247	10,247,776	89,439,023	65,639,743
Expenses:				
Program services	68,716,628	-	68,716,628	58,873,867
Management and general	7,965,978	-	7,965,978	6,975,991
Fundraising	1,184,776	-	1,184,776	1,159,628
Total expenses	77,867,382	-	77,867,382	67,009,486
Increase (decrease) in net assets	1,323,865	10,247,776	11,571,641	(1,369,743)
Net assets (deficit), beginning of year	(3,421,094)	17,273,666	13,852,572	15,222,315
Net assets (deficit), end of year	\$ (2,097,229)	\$ 27,521,442	\$ 25,424,213	\$ 13,852,572

See accompanying notes to the consolidated financial statements.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Statement of Activities

Year Ended December 31, 2011

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Revenues, gains and other support:				
Contributions	\$ 29,050	\$ 35,095,807	\$ -	\$ 35,124,857
Grants	26,446,294	-	-	26,446,294
Grant from affiliate	3,150,000	-	-	3,150,000
In-kind	695,579	-	-	695,579
Other	223,013	-	-	223,013
Net assets released from restrictions	36,756,006	(36,756,006)	-	-
Total revenues, grains and other support	67,299,942	(1,660,199)	-	65,639,743
Expenses and losses:				
Program services	58,873,867	-	-	58,873,867
Management and general	6,975,991	-	-	6,975,991
Fundraising	1,159,628	-	-	1,159,628
Total expenses and losses	67,009,486	-	-	67,009,486
Change in net assets	290,456	(1,660,199)	-	(1,369,743)
Net assets (deficit), beginning of year	(3,711,550)	18,933,865	-	15,222,315
Net assets (deficit), end of year	\$ (3,421,094)	\$ 17,273,666	\$ -	\$ 13,852,572

See accompanying notes to the consolidated financial statements.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Statements of Functional Expenses

Years Ended December 31,

	2012				2011
	<i>Program Services</i>	<i>Management/ General</i>	<i>Fundraising</i>	<i>Total</i>	<i>Total</i>
Salaries and benefits	\$ 31,811,053	\$ 4,415,042	\$ 997,426	\$ 37,223,521	\$ 32,921,766
Direct program expenditures	11,868,396	-	-	11,868,396	11,197,684
Professional and consulting fees	2,425,415	714,585	59,500	3,199,500	2,269,961
Procurement and shipping	2,080,693	-	-	2,080,693	2,847,980
Travel	7,872,109	574,447	92,391	8,538,947	7,167,245
Telecom	1,410,706	197,354	16,909	1,624,969	1,470,226
Meetings and trainings	5,202,847	100,930	9,371	5,313,148	2,900,920
Bank and other fees	208,193	321,066	1,230	530,489	308,948
Occupancy costs	1,378,167	239,442	-	1,617,609	1,623,467
Office expenses	2,267,517	165,742	7,949	2,441,208	1,681,259
Capital charges	2,179,976	-	-	2,179,976	931,526
Depreciation	11,556	331,433	-	342,989	426,834
In-kind expenses	-	897,216	-	897,216	1,002,459
Other expenses	-	8,721	-	8,721	259,211
Total	\$ 68,716,628	\$ 7,965,978	\$ 1,184,776	\$ 77,867,382	\$ 67,009,486

See accompanying notes to the consolidated financial statements.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

Year Ended December 31, 2011

	<i>Program Services</i>	<i>Management/ General</i>	<i>Fundraising</i>	<i>Total</i>
Salaries and benefits	\$ 27,959,490	\$ 4,071,779	\$ 890,497	\$ 32,921,766
Direct program expenditures	11,197,684	-	-	11,197,684
Professional and consulting fees	1,914,697	223,008	132,256	2,269,961
Procurement and shipping	2,847,980	-	-	2,847,980
Travel	6,737,083	363,125	67,037	7,167,245
Telecom	1,323,804	130,155	16,267	1,470,226
Meetings and trainings	2,882,739	17,638	543	2,900,920
Bank and other fees	238,215	69,605	1,128	308,948
Occupancy costs	1,436,496	186,923	48	1,623,467
Office expenses	1,348,747	313,103	19,409	1,681,259
Capital charges	931,526	-	-	931,526
Depreciation	7,387	419,447	-	426,834
In-kind expenses	-	1,002,459	-	1,002,459
Other expenses	48,019	178,749	32,443	259,211
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ 58,873,867	\$ 6,975,991	\$ 1,159,628	\$ 67,009,486

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	<i>Years Ended December 31,</i>	
	2012	2011
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 11,571,641	\$ (1,369,743)
Adjustments to reconcile net assets provided by (used in)		
operating activities:		
Depreciation	342,989	426,834
(Gain) loss on sale of fixed assets	(1,118)	172,101
Changes in:		
Assets limited as to use	8,784,807	59,412,914
Accounts receivable	115,723	20,648
Contribution receivable	2,160,130	397,622
Grants receivable	1,876,534	464,183
Prepaid expenses	(410,318)	123,303
Accounts payable	166,101	(3,816,794)
Accrued expenses	36,076	(288,527)
Deferred revenue	14,885,277	3,351,240
Assets held for commodities purchase	(9,926,744)	(56,058,746)
Assets held by affiliate net of due to affiliate	(25,441,951)	(3,215,346)
Net cash provided by (used in) operating activities	<u>4,159,147</u>	<u>(380,311)</u>
Cash flows from investing activities:		
Proceeds from sale of equipment	7,132	-
Purchase of property and equipment	(40,096)	(170,967)
Net cash used in investing activities	<u>(32,964)</u>	<u>(170,967)</u>
Increase (decrease) in cash and cash equivalents	4,126,183	(551,278)
Cash and cash equivalents, beginning of year	<u>5,123,177</u>	<u>5,674,455</u>
Cash and cash equivalents, end of year	\$ <u>9,249,360</u>	\$ <u>5,123,177</u>

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Clinton Health Access Initiative, Inc. ("CHAI") is incorporated in Arkansas as a nonprofit founded by President Bill Clinton to provide solutions to the biggest challenges impeding effective health care delivery in developing countries. CHAI applies the rigorous thinking, analysis and urgency of the business world to save lives and strengthen health systems rapidly and more efficiently.

As a trusted partner to governments, CHAI's programs have helped more than four million people access treatment for HIV/AIDS at reduced costs and have led to more than \$1 billion in savings for developing countries. In addition to retaining its initial focus on HIV/AIDS care and treatment, CHAI implements programs on vaccines, malaria, health systems strengthening and maternal and child health in more than 25 countries.

The accompanying consolidated financial statements include the assets, liabilities, net assets and financial activities of CHAI and the various subsidiaries established in its countries of operation to facilitate on the ground service delivery. The above related entities are in most cases under common management control with CHAI being the sole corporate member. While certain consolidated entities are technically independent, management has included such entities given the control and evidence of economic interest that results in effective control and thus consolidated presentation is appropriate.

A summary of the accounting policies consistently applied in the consolidated financial statements follows:

Basis of Accounting

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of CHAI and its subsidiaries. All significant intercompany balances have been eliminated in consolidation.

Classification of Net Assets

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

Unrestricted Net Assets - Unrestricted net assets represent resources that are not subject to donor-imposed restrictions or for which restrictions have expired.

Temporarily Restricted Net Assets - Temporarily restricted net assets represent resources that are restricted as to time and/or purpose by donors or grantors. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions in the period in which the requirements are met.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that require funds to be permanently held. CHAI has no permanently restricted net assets.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates include considerations relative to realization of various receivables, depreciation, allocation of expenses across functions and the amount of net assets to release from restriction. Actual results could differ from those estimates.

Cash and Cash Equivalents

CHAI considers highly liquid debt instruments with an original maturity of three months or less at the time of purchase to be cash equivalents. CHAI maintains its cash and cash equivalents at financial institutions which, at times, may exceed federally insured limits. Cash is also maintained at various foreign banks which are subject to different rules and protections than United States based accounts (see Note 10). CHAI maintains most of its cash and cash equivalents in bank deposit accounts. CHAI monitors its exposure associated with its cash and cash equivalents and has not experienced losses on its accounts.

Assets Held by Affiliate/Due to Affiliate

Assets held by affiliate represent cash and cash equivalents held by The William J. Clinton Foundation (the “Foundation”) in the so called CHAI Fund. These amounts are held in bank deposit accounts. These assets held are subject to like risks as described above in cash and cash equivalents. Management has included these amounts in CHAI’s financial statements given that the Foundation does not have variance power over these funds and thus has concluded that all of the rights of ownership inure to its benefit.

Assets Limited as to Use/Assets Held for Commodities Purchase

Assets limited as to use include assets held by CHAI under its arrangement with UNITAID. The assets may be used only for the purchase of pediatric and second-line drugs and related commodities and diagnostics for UNITAID-sponsored projects with a corresponding amount included in Assets Held for Commodities Purchases. The remaining amounts in assets limited as to use include grants and contributions cash on hand at the end of the year from other funders. These amounts are held in money market mutual funds and bank deposit accounts. These assets are subject to other risks as described above in cash and cash equivalents.

Fair Value Measurements

CHAI reports certain assets and liabilities at fair value on a recurring and nonrecurring basis depending on the underlying accounting policy for a particular item. Recurring fair value measures include the valuation of money market mutual funds while nonrecurring measures include contributions receivable. Accounting standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require CHAI to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Fair Value Measurements (Continued)

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

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

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

Level 3 – Pricing inputs are unobservable for the instrument 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.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument as well as the effects of market, interest and credit risk. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these consolidated financial statements. For more information on the fair value of the CHAI's financial instruments, see Note 8 - Fair Value of Financial Instruments.

Accounts, Contribution and Grants Receivable

Accounts and grants receivable represent amounts due from various parties for cost incurred and amounts earned for services rendered but unpaid at year end. CHAI provides an allowance for accounts receivable not related to grantors. CHAI does not provide an allowance for grants receivable amounts given its track record in collecting these receivables.

Contributions receivable are stated at the amount pledged by donors, net of payments made and allowances. CHAI's allowance for doubtful pledges receivable is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Delinquent pledges receivable are written off based on the specific circumstances of the donor making the pledge. Currently management has concluded that no allowance is necessary.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Property and Equipment

Property and equipment purchased with direct program funds and for which donors dictate disposal protocol are fully expensed at the time of purchase as a program cost. All other property and equipment are capitalized at cost and are depreciated on the straight-line basis over the estimated useful life of each asset.

Deferred Revenue

Deferred revenue represents funds received in advance for delivery of program services. Such amounts will be reported as revenue when earned for such services.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. Contributions are recorded at the fair value when received or verifiably committed in the case of pledges.

Gifts of equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Grants

Support funded by grants is recognized as CHAI performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. Management believes that all amounts presented represent allowable costs.

In-kind Contributions

CHAI receives certain donated services from various parties. CHAI recognizes these amounts as revenue and expenses when the recognition criteria are met for recordation. For the years ended December 31, 2012 and 2011, \$743,776 and \$695,579 were received in in-kind contributions, respectively.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Income Tax Status

CHAI is a nonprofit corporation which has been recognized by the Internal Revenue Service as generally exempt from Federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is made in the consolidated financial statements.

Uncertain Tax Positions

CHAI accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. CHAI has identified its tax status as a tax exempt entity as its only significant tax position and has determined that such tax position does not result in an uncertainty requiring recognition. CHAI is not currently under examination by any taxing jurisdiction. CHAI’s Federal and state income tax returns are generally open for examination for three years following the date of filing the related return.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the program services, management and general and fund-raising categories based on time and effort measurements and other methods.

Translation of Non-U.S. Currency Amounts

Assets and liabilities that have a local functional currency are translated to United States (U.S.) dollars at year-end exchange rates. Translation adjustments are recorded in expenses. Income and expense items are translated at exchange rates prevailing during the year.

Property and equipment – net and other nonmonetary assets and liabilities are translated at the approximate exchange rates prevailing when CHAI acquired the assets or liabilities. All other assets and liabilities denominated in a currency other than U.S. dollars are translated at year-end exchange rates with the transaction gain or loss recognized in other (income) and expense. The aggregate foreign currency transaction loss was approximately \$324,000 and \$259,000 in 2012 and 2011, respectively, and is included in “bank and other fees” on the consolidated statements of functional expenses.

Reclassifications

Certain reclassifications have been made to the 2011 financial statements in order to conform with the current year presentation. See also Note 2.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Subsequent Events

CHAI has evaluated subsequent events through May 23, 2013, the date the consolidated financial statements were authorized to be issued, and there were no material subsequent events identified.

Note 2 - Assets Limited as to Use/Assets Held for Commodities Purchase

CHAI has an agreement with UNITAID. UNITAID represents a federation of governments that have committed to provide funding to enable the purchase and delivery of antiretroviral drugs and related commodities to specified countries. CHAI acts as an agent acting on behalf of UNITAID overseeing the various business aspects of enabling the efficient and effective administration of the program. As an agent, CHAI does not record revenue or expenses associated with UNITAID funds; however, a summary of activity of UNITAID funding and balances held by CHAI on UNITAID's behalf were as follows at December 31:

	<i>2012</i>	<i>2011</i>
Funding received for commodities purchases	\$ 81,467,841	\$ 129,198,624
Total commodities purchases	<u>(67,861,583)</u>	<u>(105,665,622)</u>
Assets held for commodities purchases	<u>\$ 13,606,258</u>	<u>\$ 23,533,002</u>

Note 3 - Contributions Receivable

All contributions receivable are reported as a component of temporarily restricted net assets and consisted of the following at December 31:

	<i>2012</i>	<i>2011</i>
Due within one year	\$ 1,967,780	\$ 3,974,470
Due in one to five years	<u>-</u>	<u>153,440</u>
	<u>\$ 1,967,780</u>	<u>\$ 4,127,910</u>

CHAI has received conditional promises to give of approximately \$171,947,000 and \$35,300,000 at December 31, 2012 and 2011. These conditional promises to give will not be recognized as an asset or revenue until the conditions are substantially met.

Note 4 - Grants Receivable

CHAI receives grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Unearned grant commitments from its grantors were approximately \$21,527,000 and \$6,641,000 at December 31, 2012 and 2011, respectively.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 5 - Property and Equipment

Property and equipment at December 31 consist of the following:

	<i>2012</i>	<i>2011</i>
Furniture and equipment	\$ 612,493	\$ 574,557
Vehicles	1,236,371	1,256,417
Buildings and fixtures	<u>115,346</u>	<u>113,186</u>
	1,964,210	1,944,160
Less: accumulated depreciation	<u>1,608,527</u>	<u>1,279,570</u>
	<u><u>\$ 355,683</u></u>	<u><u>\$ 664,590</u></u>

Note 6 - Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 are available for the following purposes or periods:

	<i>2012</i>	<i>2011</i>
International health programs	\$ <u>27,521,442</u>	\$ <u>17,273,666</u>

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<i>2012</i>	<i>2011</i>
Purpose restrictions accomplished:		
International health programs	\$ <u>35,564,082</u>	\$ <u>36,756,006</u>

Note 7 - Pension Plans

Retirement benefits are offered to CHAI employees based on eligibility. An individual must be a full-time contracted employee working a minimum of 30 hours per week to be benefits eligible. These benefits vary and are dependent on employee type.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 7 - Pension Plans (Continued)

- U.S. based staff and U.S. expatriates are eligible to contribute into a 401(k) plan which CHAI matches up to 6% of the employee contribution. CHAI participates in the Foundation plan, but expects to create a separate plan in the future.
- Third Country Nationals are eligible to contribute into a defined contribution pension plan offered by CHAI. CHAI also contributes 5% of the monthly gross pay for each employee regardless of contribution amount by the employee.
- Local national retirement plans are available in a select number of countries. CHAI also contributes to the national social security fund in many of the countries in which it operates as stipulated by local law.

Expenses under the plans were \$1,388,584 and \$972,736 for the years ended December 31, 2012 and 2011, respectively.

	2012	2011
U.S. 401(k) Plan	\$ 631,457	\$ 742,185
Third Country National Pension Plan	214,855	87,131
Local national retirement plans	<u>542,272</u>	<u>143,420</u>
Total pension plans	\$ <u>1,388,584</u>	\$ <u>972,736</u>

Note 8 - Fair Values of Financial Instruments

Included in Assets Limited as to Use are money market funds. Fair values using the fair value hierarchy are as follows at December 31:

	2012			
	<i>Total</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Money market mutual funds	\$ 376,279	\$ 376,279	\$ -	\$ -
	2011			
	<i>Fair Value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Money market mutual funds	\$ 2,924,397	\$ 2,924,397	\$ -	\$ -

Note 9 - Related Party

CHAI is affiliated with the Foundation through common board members. The Foundation appoints a majority of members of the CHAI board. From time to time, the Foundation collects contributions on CHAI's behalf. The funds are submitted to CHAI in accordance with donor and grantor restrictions and are recognized as contribution and grant revenues in CHAI's statements of activities. CHAI has increasingly moved in a direction of financial and administrative independence, however some aspects of this transition are still in process.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 9 - Related Party (Continued)

The Foundation also grants funds to CHAI that are recognized as grant from affiliate in the statements of activities. For the years ended December 31, 2012 and 2011, the Foundation contributed \$4,000,000 and \$3,150,000 to CHAI, respectively

CHAI has a line of credit agreement with the Foundation which authorized borrowings not to exceed \$12 million with such amounts payable by CHAI upon demand. At December 31, 2012, there was approximately \$3,558,000 borrowed against this line of credit.

Note 10 - Concentrations, Commitments and Contingencies

Assets in Foreign Countries

CHAI maintains cash balances and equipment in Asia, Africa and the Caribbean. At December 31, 2012 and 2011, CHAI had approximately \$7.3 million and \$5.2 million, respectively, deposited in foreign banks and equipment with an approximate net book value of \$163,000 and \$381,000, respectively, in foreign countries. These cash balances are exposed to currency risks/variation relative to the U.S. Dollar. In addition at December 31, 2012, CHAI had property and equipment with an original cost of approximately \$3.3 million purchased with donor funds that are not capitalized on the balance sheet per CHAI policy.

Contributions and Grants

For the years ending December 31, 2012 and 2011, two donors accounted for approximately 59 percent of contributions received and three granting agencies accounted for approximately 75 percent of grant revenue.

Operating Leases

CHAI leases its facilities both domestically and internationally under operating lease agreements which expire at various dates through 2018. Certain leases provide for additional rent for increases associated with underlining operating costs of the premises such as taxes and common area maintenance. Certain leases also offer cancelation rights. Rental expense for all operating leases was \$1,132,627 and \$1,139,753 for 2012 and 2011, respectively. Minimum future rental payments under the non-cancelable operating lease for each of the remaining years and in the aggregate are:

2013	\$	917,000
2014		457,000
2015		392,000
2016		211,000
2017		170,000
Thereafter		<u>95,000</u>
Total minimum lease payments	\$	<u><u>2,242,000</u></u>

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 10 - Concentrations, Commitments and Contingencies (Continued)

Litigation

CHAI is, from time to time, subject to claims that arise primarily in the ordinary course of its activities. Currently, management is not aware of any such claim or claims that would have a material adverse effect on CHAI's financial position or net assets. Events could occur, however, that would change this estimate materially in the near term.