



Consolidated Financial Statements

Clinton Health Access Initiative, Inc. and Subsidiaries

December 31, 2018 and 2017



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 ("CHAI"), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, 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 Consolidated 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. 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 Clinton Health Access Initiative, Inc. and Subsidiaries as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, in 2018, CHAI adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Mayer Hoffman McCann P.C.

June 24, 2019
Boston, Massachusetts

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position

December 31,

	2018	2017
Assets		
Cash and cash equivalents	\$ 7,232,644	\$ 1,164,612
Cash and cash equivalents limited as to use	90,673,339	71,640,264
Advances and deposits	886,001	612,069
Contributions receivable	1,541,113	1,387,539
Grants receivable	1,890,100	2,768,294
Prepaid expenses	3,564,635	5,081,677
Property and equipment, net of accumulated depreciation	<u>139,291</u>	<u>203,793</u>
Total assets	<u>\$ 105,927,123</u>	<u>\$ 82,858,248</u>
Liabilities and Net Assets		
Accounts payable	\$ 5,249,092	\$ 3,911,976
Accrued expenses	4,661,876	2,622,539
Deferred revenue	<u>23,587,992</u>	<u>21,118,751</u>
Total liabilities	<u>33,498,960</u>	<u>27,653,266</u>
Net assets:		
Without donor restrictions	5,342,816	2,895,733
With donor restrictions	<u>67,085,347</u>	<u>52,309,249</u>
Total net assets	<u>72,428,163</u>	<u>55,204,982</u>
Total liabilities and net assets	<u>\$ 105,927,123</u>	<u>\$ 82,858,248</u>

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Statement of Activities

Year Ended December 31, 2018
(with comparative totals for 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues and support:				
Contributions	\$ 1,876,230	\$ 108,607,105	\$ 110,483,335	\$ 64,552,483
Grants	64,812,718	-	64,812,718	62,681,596
In-kind contributions	1,765,528	-	1,765,528	1,236,611
Other	386,377	309,203	695,580	316,697
Net assets released from restrictions	94,140,210	(94,140,210)	-	-
Total revenues, gains and other support	162,981,063	14,776,098	177,757,161	128,787,387
Expenses:				
Program services	147,887,097	-	147,887,097	124,539,081
Management and general	12,039,073	-	12,039,073	10,537,320
Fundraising	607,810	-	607,810	1,096,742
Total expenses	160,533,980	-	160,533,980	136,173,143
Increase (decrease) in net assets	2,447,083	14,776,098	17,223,181	(7,385,756)
Net assets, beginning of year	2,895,733	52,309,249	55,204,982	62,590,738
Net assets, end of year	\$ 5,342,816	\$ 67,085,347	\$ 72,428,163	\$ 55,204,982

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Statement of Activities

Year Ended December 31, 2017

	2017		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Revenues and support:			
Contributions	\$ 693,300	\$ 63,859,183	\$ 64,552,483
Grants	62,681,596	-	62,681,596
In-kind contributions	1,236,611	-	1,236,611
Other	148,761	167,936	316,697
Net assets released from restrictions	71,686,992	(71,686,992)	-
Total revenues, gains and other support	136,447,260	(7,659,873)	128,787,387
Expenses:			
Program services	124,539,081	-	124,539,081
Management and general	10,537,320	-	10,537,320
Fundraising	1,096,742	-	1,096,742
Total expenses	136,173,143	-	136,173,143
Increase (decrease) in net assets	274,117	(7,659,873)	(7,385,756)
Net assets, beginning of year	2,621,616	59,969,122	62,590,738
Net assets, end of year	\$ 2,895,733	\$ 52,309,249	\$ 55,204,982

See accompanying notes to the consolidated financial statements.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

***Year Ended December 31, 2018
(with comparative totals for 2017)***

	2018				2017
	<i>Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>	<i>Total</i>
Salaries and benefits	\$ 72,297,092	\$ 7,942,342	\$ 534,412	\$ 80,773,846	\$ 73,681,766
Travel, meetings and trainings	29,241,442	514,823	22,075	29,778,340	23,702,052
Subcontracts and bulk program supplies	23,435,552	-	-	23,435,552	19,795,042
Professional and consulting fees	7,835,451	659,988	38,080	8,533,519	7,322,973
Program equipment and infrastructure	4,463,663	7,214	-	4,470,877	1,846,347
Office expenses	3,086,050	57,360	8,634	3,152,044	1,931,255
Procurement and shipping	2,879,394	-	-	2,879,394	1,480,098
Occupancy costs	2,294,002	505,010	-	2,799,012	2,668,091
Telecom	1,543,578	155,955	4,549	1,704,082	1,864,304
In-kind expenses	-	1,765,528	-	1,765,528	1,236,611
Other expenses	481,419	215,540	60	697,019	368,754
Bank and other fees	280,896	180,047	-	460,943	187,147
Depreciation	48,558	35,266	-	83,824	88,703
Total	\$ 147,887,097	\$ 12,039,073	\$ 607,810	\$ 160,533,980	\$ 136,173,143

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

Year Ended December 31, 2017

	2017			
	<i>Program Services</i>	<i>Management and General</i>	<i>Fundraising</i>	<i>Total</i>
Salaries and benefits	\$ 65,440,901	\$ 7,269,613	\$ 971,252	\$ 73,681,766
Travel, meetings and trainings	23,286,625	368,514	46,913	23,702,052
Subcontracts and bulk program supplies	19,795,042	-	-	19,795,042
Professional and consulting fees	6,576,094	686,113	60,766	7,322,973
Occupancy costs	2,216,038	451,940	113	2,668,091
Office expenses	1,887,276	37,505	6,474	1,931,255
Telecom	1,666,057	189,589	8,658	1,864,304
Program equipment and infrastructure	1,826,956	16,825	2,566	1,846,347
Procurement and shipping	1,480,098	-	-	1,480,098
In-kind expenses	-	1,236,611	-	1,236,611
Other expenses	253,840	114,914	-	368,754
Bank and other fees	58,143	129,004	-	187,147
Depreciation	52,011	36,692	-	88,703
Total	\$ 124,539,081	\$ 10,537,320	\$ 1,096,742	\$ 136,173,143

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years Ended December 31,

	2018	2017
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 17,223,181	\$ (7,385,756)
Adjustments to reconcile net assets used in operating activities:		
Depreciation	83,824	88,703
Changes in:		
Cash and cash equivalents limited as to use	(19,033,075)	1,262,570
Advances and deposits	(273,932)	(201,147)
Contributions receivable	(153,574)	1,442,852
Grants receivable	878,194	3,323,721
Prepaid expenses	1,517,042	967,667
Accounts payable	1,337,116	1,721,050
Accrued expenses	2,039,337	82,115
Deferred revenue	2,469,241	(2,323,640)
Net cash provided by (used in) operating activities	6,087,354	(1,021,865)
Cash flows from investing activities:		
Purchase of property and equipment	(19,322)	(45,167)
Net cash used in investing activities	(19,322)	(45,167)
Increase (decrease) in cash and cash equivalents	6,068,032	(1,067,032)
Cash and cash equivalents, beginning of year	1,164,612	2,231,644
Cash and cash equivalents, end of year	\$ 7,232,644	\$ 1,164,612

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

Clinton Health Access Initiative, Inc. ("CHAI") is incorporated in Arkansas as a nonprofit founded by President Bill Clinton and Ira Magaziner 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 by improving markets for medicines and diagnostics, lowering the cost of treatment, and accelerating access to key drugs and technologies.

As a trusted partner to governments, CHAI's programs have helped over 11 million people in more than 80 countries have access to CHAI-negotiated prices for HIV/AIDS medicines. 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 30 countries around the world.

Prior to March 7, 2017, CHAI was affiliated with the Clinton Foundation (the "Foundation"). Effective on March 7, 2017, CHAI is no longer affiliated with the Foundation. CHAI has not had any financial transactions with the Foundation during 2018 and 2017.

The accompanying consolidated financial statements include the assets, liabilities, net assets and financial activities of CHAI and the various subsidiaries established in the countries in which it operates to facilitate on-the-ground service delivery. These subsidiaries 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 that it has concluded that the elements of control and evidence of economic interest exist that requires consolidated presentation. All significant intercompany balances have been eliminated in consolidation.

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

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America which required that CHAI report financial information regarding its financial position and activities.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Classification of Net Assets

Based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of CHAI and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for general use and not subject to donor restrictions. Net assets without donor restrictions include the investment in property and equipment, net of accumulated depreciation.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. CHAI's donor-imposed restrictions are generally program restricted in nature and thus such resources are reflected as released from restrictions as funds are expended for intended purposes.

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 domestic and foreign banks, which have different rules and deposit insurance, and such balances may exceed insured limits. CHAI monitors its exposure associated with its cash and cash equivalents and has not experienced losses on its accounts. Certain cash and cash equivalents are held in an interest bearing account to effect better interest income. These accounts are primarily comprised of amounts limited as to use as described below, however some of those funds are being held for in-country severance and for amounts included in accounts payable and accrued expenses given that such costs have been incurred and are thus allocable to funders. Amounts held for in country severance are not required to be legally separated.

Cash and Cash Equivalents Limited as to Use

Cash and cash equivalents limited as to use includes funds that are held in bank deposit accounts. This reflects the cumulative cash advances on grant and contribution agreements, net of amounts incurred to date. Management considers these amounts as limited as to use in that future expenses are required to be incurred prior to such funds being available for general corporate purposes. These accounts are subject to like exposures as cash and cash equivalents as described above.

Advances and Deposits

Advances and deposits include travel advances and other receivables from employees for travel and related business expenses as well as various deposits for leased facilities. Employees are accountable for these funds and a reserve is provided to state such amounts at the net realizable value using a standard methodology.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Contributions and Grants Receivable

Contributions from donors are stated at estimated net realizable value. Grants and contributions receivable represent amounts due from various parties for costs incurred and amounts earned for services rendered but unpaid at year end under various grant agreements. CHAI has concluded that no allowance for contributions and grants receivable is necessary based on review of the outstanding accounts, historical collection information, and existing economic conditions.

Prepaid Expenses

Prepaid expenses include items such as insurance, rent and program supplies and materials purchased in advance. Such supplies and materials are reflected as program costs when transferred to a site for local use.

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 and are reflected in the consolidated statements of functional expenses as program equipment and infrastructure. 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 (or fair market value using Level 3 methods if donated).

Deferred Revenue

Deferred revenue represents funds received in advance for delivery of program services under grant agreements. Such amounts will be reported as revenue when earned which generally means that actual costs have been incurred associated with the related program service.

Contribution Revenue

Gifts of cash and other assets received without donor stipulations are reported as revenue without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue with donor restrictions. Funds with donor restriction resources are generally released from restriction as direct programmatic expenditures are incurred along with amounts allowable for overhead. Contributions received in the form of pledges are recorded as revenue at the estimated fair value when verifiably committed. The fair value and carrying value of contributions have been the same given positive collection history.

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.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

Grant Revenue

Support funded by grants is recognized as revenue as CHAI performs the contracted services. Accordingly, as CHAI incurs direct programmatic expenses eligible for reimbursement under the grant agreements, revenue is recognized along with amounts allowable for overhead. Invoiced and un-invoiced amounts are recorded in grants receivable as such costs are incurred or in the case when grants that are funded in advance as a reduction in the associated deferred revenue from such grantor.

Grant activities and outlays are subject to audit and acceptance by the granting party 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.

Other Revenue

Other revenue primarily relates to interest income associated with cash and cash equivalents. Such amounts are considered with donor restrictions when the grantor or contributor stipulates the use of such earned amounts.

Income Tax Status

CHAI is a nonprofit corporation which has been recognized by the Internal Revenue Service as generally exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. CHAI similarly seeks to operate on an exempt basis in its various countries of operation in accordance with local laws. 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 and its determination of its revenues being related or unrelated as its only significant tax positions and has determined that such tax positions do not result in an uncertainty requiring recognition. CHAI’s U.S. Federal and state income tax returns are generally open for examination for three years following the filing of the related return. CHAI’s foreign tax returns are subject to examination by local government authorities under applicable local law. CHAI is not aware of any pending examination by any such authority.

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 Judgments and Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make judgments and estimates 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. Judgments and estimates include considerations relative to the determination of revenue recognition associated with various funders (with some transactions being considered contributions while others are considered exchange transactions), realization of various receivables and advances, useful lives of fixed assets, translation of foreign currency into U.S. Dollars for reporting purposes, allocation of expenses across functions and the amount of net assets to release from restriction. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of supporting the 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 by function. Certain costs have been allocated among the program services, management and general and fundraising categories based on time and effort measurements and other methods.

Translation to United States Dollars

Assets and liabilities that have a local functional currency are translated to United States Dollars at year-end exchange rates. 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. Transactions are recorded at exchange rates prevailing during the year.

The aggregate foreign currency (gain)/loss was approximately \$40,400 and \$(33,000) in 2018 and 2017, respectively, and is included in "bank and other fees" on the consolidated statements of functional expenses.

New Accounting Pronouncement

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understanding of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency provided about expenses and investment return. CHAI has adjusted the presentation of these financial statements accordingly. The ASU has been retrospectively applied to all periods presented.

Subsequent Events

CHAI has evaluated subsequent events through June 24, 2019, the date that the consolidated financial statements were authorized to be issued. No events occurred through that date that required recognition or disclosure.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 2 - Liquidity and Availability

CHAI regularly monitors liquidity to meet its operating needs and other contractual commitments and has various sources of liquidity at its disposal, including cash and cash equivalents.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, CHAI 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, CHAI seeks to operate with at least a balanced operating budget and anticipates collecting sufficient revenue to cover general expenditures. Most funders pay in advance, so CHAI generally has the liquidity to operate and scale operations as needed without reliance on other accumulated resources.

As of December 31, 2018, the following financial assets could readily be made available within one year of the consolidated statement of financial position date to meet general expenditures:

Cash and cash equivalents	\$ 7,232,644
Cash and cash equivalents limited as to use	90,673,339
Contributions receivable due in one year or less	1,541,113
Grants receivable due in one year or less	<u>1,890,100</u>
	<u>\$ 101,337,196</u>

Management has included cash and cash equivalents limited as to use in the above table as such advances will be utilized for core program activities; however, such funds are limited to their intended purposes.

Note 3 - Contributions Receivable

Contributions receivable due within one year are \$1,541,113 and \$1,387,539 at December 31, 2018 and 2017, respectively.

CHAI has conditional promises to receive resources of approximately \$156,772,000 and \$108,806,000 at December 31, 2018 and 2017, respectively. These conditional promises to give will not be recognized as an asset or revenue until the conditions to do so are substantially met.

Note 4 - Deferred Revenue and Funds Committed

CHAI often receives payment in advance of delivery of services associated with its grants. Revenue associated with such transactions are reflected when the related services and costs have been incurred, thereby reducing deferred revenue at the same time.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 4 - Deferred Revenue and Funds Committed (Continued)

In addition to these advances, CHAI has commitments of approximately \$120,676,000 and \$127,511,000 at December 31, 2018 and 2017, respectively, from grantors to fund future service delivery activities. Grant revenue associated with these commitments will not be recognized until underlying costs are incurred. To the extent that such commitments are advance funded, deferred revenue will be recorded to reflect the unexpended portion.

Note 5 - Property and Equipment

Property and equipment consist of the following at December 31:

	2018	2017
Furniture and equipment	\$ 862,899	\$ 862,899
Vehicles	1,297,002	1,277,680
Buildings and fixtures	176,020	176,020
	<u>2,335,921</u>	<u>2,316,599</u>
Less: accumulated depreciation	<u>2,196,630</u>	<u>2,112,806</u>
Property and equipment, net	<u>\$ 139,291</u>	<u>\$ 203,793</u>

Note 6 - Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions consist of the following at December 31:

	2018	2017
Net investment in plant	\$ 139,291	\$ 203,793
Unallocated	<u>5,203,525</u>	<u>2,691,940</u>
Net assets without donor restrictions	<u>\$ 5,342,816</u>	<u>\$ 2,895,733</u>

Net Assets With Donor Restrictions

Net assets with donor restrictions are for the purpose of international health programs and amounted to \$67,085,347 and \$52,309,249 as of December 31, 2018 and 2017, respectively.

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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 1,000 hours per year to be benefits eligible. These benefits are summarized as follows:

- U.S. based staff and U.S. expatriates are eligible to contribute into a 401(k) plan which CHAI matches up to 6% of their eligible compensation.
- Third country nationals are eligible to contribute into a defined contribution pension plan offered by CHAI. CHAI also contributes 6% of eligible compensation 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 \$3,527,378 and \$3,067,966 for the years ended December 31, 2018 and 2017, respectively.

Note 8 - Concentrations, Commitments and Contingencies

Assets in Foreign Countries

CHAI maintains cash balances and equipment in Asia, Africa and the Caribbean. CHAI had approximately \$2.6 million and \$1.1 million deposited in foreign banks at December 31, 2018 and 2017, respectively. Certain of these cash balances are exposed to currency risks/variation relative to the U.S. Dollar. In addition, CHAI has property and equipment in various countries purchased with donor funds and used for programmatic purposes that are not capitalized, as well as a modest amount of equipment that was capitalized per CHAI's policy, and included property and equipment, net at December 31, 2018 and 2017.

Concentration of Contributions and Grant Revenue

For the years ended December 31, 2018 and 2017, three donors accounted for approximately 76% and 74% of contributions revenue, respectively, and three granting agencies accounted for approximately 77% and 77% of grant revenue, respectively.

Earned revenue was from the following sources for the years ended December 31:

	2018	2017
Government and multilaterals	40%	47%
Private foundations	58%	51%
Other donors	2%	2%
Total	<u>100%</u>	<u>100%</u>

CLINTON HEALTH ACCESS INITIATIVE, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 8 - Concentrations, Commitments and Contingencies (Continued)

Concentration of Contributions and Grant Revenue (Continued)

CHAI country operations are dependent on contributed and granted funds, economic conditions and local circumstances. CHAI continues to evaluate these factors on a country-by-country basis to ensure calibration of resources and other circumstances that may impact operations. While the loss of funds would reduce resources available for programs, management believes its near term funding is stable and that it can navigate funding changes should they occur.

Operating Leases

CHAI leases its facilities both domestically and internationally under operating lease agreements which expire at various dates through 2021. Certain leases provide for additional rent for increases associated with underlying operating costs of the premises such as taxes and common area maintenance. Some leases also offer cancelation rights. Rental expense for all operating leases was \$3,572,377 and \$2,034,630 for 2018 and 2017, respectively. Minimum future rental payments under the non-cancelable operating leases for each of the remaining years and in the aggregate are:

2019	\$ 1,424,620
2020	736,773
2021	<u>210,965</u>
Total minimum lease payments	<u><u>\$ 2,372,358</u></u>

Litigation

CHAI is 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 could have a material adverse effect on CHAI's financial position or net assets.

International Operations

CHAI operates in numerous jurisdictions and continually seeks to comply with all local laws and regulations regarding corporate, employee and other matters. Management effects changes in local laws as soon as administratively practicable.