



Consolidated Financial Statements

Partners In Health

June 30, 2024 and 2023

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, 2024 and 2023, 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, 2024 and 2023, 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 in 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.

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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.

CBIZ CPAs P.C.¹

Boston, Massachusetts
December 13, 2024

¹In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.

PARTNERS IN HEALTH

Consolidated Statements of Financial Position

June 30,

	2024	2023
Assets		
Cash and cash equivalents	\$ 64,032,664	\$ 92,804,386
Contributions receivable, net	5,500,134	4,665,176
Grants and other receivables	9,106,111	8,232,888
Prepaid expenses and other assets	10,993,616	11,876,952
Investments	213,867,023	181,762,184
Property and equipment, net	20,587,060	17,821,532
Right-of-use assets	<u>10,025,394</u>	<u>10,791,683</u>
Total assets	<u>\$ 334,112,002</u>	<u>\$ 327,954,801</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 23,451,118	\$ 24,162,850
Deferred revenue	14,577,932	14,265,572
Operating lease liability	<u>10,451,132</u>	<u>11,326,349</u>
Total liabilities	<u>48,480,182</u>	<u>49,754,771</u>
Net assets:		
Without donor restrictions	137,925,844	145,536,121
With donor restrictions	<u>147,705,976</u>	<u>132,663,909</u>
Total net assets	<u>285,631,820</u>	<u>278,200,030</u>
Total liabilities and net assets	<u>\$ 334,112,002</u>	<u>\$ 327,954,801</u>

See accompanying notes to the consolidated financial statements.

PARTNERS IN HEALTH

Consolidated Statement of Activities

Year Ended June 30, 2024
(with comparative total for 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue, gains and other support:				
Contributions	\$ 99,381,247	\$ 97,481,304	\$ 196,862,551	\$ 227,213,876
Government and other grants and contracts	-	29,302,937	29,302,937	36,172,404
Gifts in kind and contributed services	3,637,392	3,652,032	7,289,424	7,861,867
Investment return	8,209,996	8,631,117	16,841,113	5,182,450
Gain on sale of asset and other income	2,809,647	535,072	3,344,719	2,005,512
Expenditures from appropriated amounts under spending policy	530,589	(530,589)	-	-
Net assets released from restrictions	124,030,799	(124,030,799)	-	-
Total revenue, gains and other support	238,599,670	15,041,074	253,640,744	278,436,109
Expenses from operations:				
Program services	212,005,330	-	212,005,330	207,842,941
Development	11,118,785	-	11,118,785	11,319,330
General and administration	22,282,832	-	22,282,832	18,103,290
Total expenses from operations	245,406,947	-	245,406,947	237,265,561
Changes in net assets from operations	(6,807,277)	15,041,074	8,233,797	41,170,548
Non-operating (gain) loss:				
Change in value of charitable gift annuity	-	(993)	(993)	3,377
Foreign currency translation adjustment	803,000	-	803,000	536,184
Total non-operating (gain) loss	803,000	(993)	802,007	539,561
Change in net assets for the year	(7,610,277)	15,042,067	7,431,790	40,630,987
Net assets, beginning of year	145,536,121	132,663,909	278,200,030	237,569,043
Net assets, end of year	\$ 137,925,844	\$ 147,705,976	\$ 285,631,820	\$ 278,200,030

PARTNERS IN HEALTH

Consolidated Statement of Activities

Year Ended June 30, 2023

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Revenue, gains and other support:			
Contributions	\$ 132,531,115	\$ 94,682,761	\$ 227,213,876
Government and other grants and contracts	180,172	35,992,232	36,172,404
Gifts in kind and contributed services	6,806,566	1,055,301	7,861,867
Investment return	4,022,295	1,160,155	5,182,450
Gain on sale of asset and other income	1,750,581	254,931	2,005,512
Expenditures from appropriated amounts under spending policy	421,668	(421,668)	-
Net assets released from restrictions	<u>112,724,853</u>	<u>(112,724,853)</u>	<u>-</u>
Total revenue, gains and other support	<u>258,437,250</u>	<u>19,998,859</u>	<u>278,436,109</u>
Expenses from operations:			
Program services	207,842,941	-	207,842,941
Development	11,319,330	-	11,319,330
General and administration	<u>18,103,290</u>	<u>-</u>	<u>18,103,290</u>
Total expenses from operations	<u>237,265,561</u>	<u>-</u>	<u>237,265,561</u>
Changes in net assets from operations	<u>21,171,689</u>	<u>19,998,859</u>	<u>41,170,548</u>
Non-operating loss:			
Change in value of charitable gift annuity	-	3,377	3,377
Foreign currency translation adjustment	<u>536,184</u>	<u>-</u>	<u>536,184</u>
Total non-operating loss	<u>536,184</u>	<u>3,377</u>	<u>539,561</u>
Change in net assets for the year	<u>20,635,505</u>	<u>19,995,482</u>	<u>40,630,987</u>
Net assets, beginning of year	<u>124,900,616</u>	<u>112,668,427</u>	<u>237,569,043</u>
Net assets, end of year	<u>\$ 145,536,121</u>	<u>\$ 132,663,909</u>	<u>\$ 278,200,030</u>

PARTNERS IN HEALTH

Consolidated Statements of Functional Expenses

Years Ended June 30,

	2024			
	Program Services	Development	General and Administration	Total Expenses
Human resources	\$ 78,188,985	\$ 4,495,497	\$ 14,332,770	\$ 97,017,252
Consumables	27,333,928	73,020	7,549	27,414,497
Durable goods	4,539,164	9,626	142,513	4,691,303
Operations	31,559,948	4,275,755	3,060,231	38,895,934
Administration	6,078,035	2,264,887	4,566,792	12,909,714
Infrastructure & equipment	15,574,408	-	42,894	15,617,302
Grants to partner organizations	48,730,862	-	130,083	48,860,945
	<hr/>	<hr/>	<hr/>	<hr/>
Total functional expenses	\$ 212,005,330	\$ 11,118,785	\$ 22,282,832	\$ 245,406,947
	<hr/>	<hr/>	<hr/>	<hr/>
	2023			
	Program Services	Development	General and Administration	Total Expenses
Human resources	\$ 69,830,175	\$ 3,702,956	\$ 13,239,479	\$ 86,772,610
Consumables	26,887,514	134,976	60,733	27,083,223
Durable goods	3,949,500	33,264	29,239	4,012,003
Operations	30,638,017	5,700,263	2,062,255	38,400,535
Administration	9,443,195	1,747,871	2,660,849	13,851,915
Infrastructure & equipment	16,910,456	-	50,735	16,961,191
Grants to partner organizations	50,184,084	-	-	50,184,084
	<hr/>	<hr/>	<hr/>	<hr/>
Total functional expenses	\$ 207,842,941	\$ 11,319,330	\$ 18,103,290	\$ 237,265,561
	<hr/>	<hr/>	<hr/>	<hr/>

See accompanying notes to the consolidated financial statements.

PARTNERS IN HEALTH
Consolidated Statements of Cash Flows
Years Ended June 30,

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 7,431,790	\$ 40,630,987
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	1,818,332	1,717,114
Net realized and unrealized gain on investments	(8,912,881)	(459,685)
Net realized and unrealized gain (loss) on foreign currency contract	228,046	(193,964)
Gain (loss) on sale/disposal of property and equipment	(149,397)	53,854
Cash collected on contributions restricted for long-term investment	(300,279)	(299,696)
Changes in operating assets and liabilities:		
Contributions receivable	(834,958)	(1,054,472)
Grants and other receivables, net	(1,101,269)	3,669,351
Prepaid expenses and other assets	883,336	(159,187)
Right-of-use assets	766,289	(2,381,699)
Accounts payable and accrued expenses	(711,732)	(2,135,931)
Deferred revenue	312,360	(4,028,550)
Operating lease liability	(875,217)	2,284,880
	<u>(1,445,580)</u>	<u>37,643,002</u>
Net cash (used in) provided by operating activities	(1,445,580)	37,643,002
Cash flows from investing activities:		
Purchase of property and equipment	(4,646,101)	(1,670,896)
Proceeds from sale of property and equipment	211,638	28,316
Proceeds from the sale of investments	7,399,542	19,058,323
Purchases of investments	(30,591,500)	(137,085,113)
	<u>(27,626,421)</u>	<u>(119,669,370)</u>
Net cash used in investing activities	(27,626,421)	(119,669,370)
Cash flows from financing activities:		
Cash collected on contributions restricted for long-term investment	300,279	299,696
	<u>300,279</u>	<u>299,696</u>
Net cash provided by financing activities	300,279	299,696
Net change in cash and cash equivalents	(28,771,722)	(81,726,672)
Cash and cash equivalents, beginning of year	92,804,386	174,531,058
Cash and cash equivalents, end of year	\$ <u>64,032,664</u>	\$ <u>92,804,386</u>

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 (Haiti) and Community Outreach & Patient Empowerment (Navajo Nation). 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 accounting principles generally accepted in the United States of America (US GAAP) as applicable to not-for-profit organizations. 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, and is generally exempt from income taxes at both a Federal and state level. PIH assesses uncertain tax positions and has determined that there were no such positions that required recognition into 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.

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. Contributions expected to be realized over periods greater than one year are discounted to present value based on the expected timing and risks associated with the underlying cash flow.

Investments

Investments are carried at fair market value consistent with the fair value policies described 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 expends 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. These facilities, including the furniture and equipment contained therein, are treated by PIH as the property of the local government or the relevant party, and thus associated construction, renovation, and equipment costs are expensed as incurred. PIH capitalizes construction costs for facilities it maintains ownership over in accordance with the property and equipment policy herein.

Leases

PIH determines if an arrangement contains a lease at inception. Operating leases as a lessee are included in right-of-use ("ROU") assets and lease obligations in the accompanying consolidated statements of financial position. ROU assets represent PIH's right to use an underlying asset for the lease term. Lease obligations represent PIH's liability to make lease payments arising from the lease. Operating lease obligations are recognized at the commencement date based on their present value of lease payments over the term discounted using an appropriate discount rate.

Operating ROU assets are recognized at the commencement date as the lease obligation adjusted for initial direct costs, lease incentives received, and lease payments made to the lessor at or before the commencement date. PIH utilizes a commensurate risk-free rate to apply to all leases. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Leases with an initial term of twelve months or less, and leases with a total cumulative right-of-use asset value of less than \$50,000, are not capitalized on the consolidated statements of financial position.

PARTNERS IN HEALTH

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Leases (Continued)

PIH has included in its computations of its ROU assets and related obligations operating costs included in the base rent agreement of its office space as a single component as permitted under lease accounting standards. These costs are adjusted periodically based on actual period costs and are charged to lease expense as incurred.

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 transformational gifts, and a board-designated fund established to set aside funds 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.

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 27% of total revenue for the year ended 2023.

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 in Note 2.

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

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

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

Investment 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 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.

PARTNERS IN HEALTH

Notes to Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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 has 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

Certain other accounting standards are 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.

PIH seeks to operate with at least a balanced budget, though there have been periods in which PIH management decided 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:

	2024	2023
Cash and cash equivalents	\$ 64,032,664	\$ 92,804,386
Investments	213,867,023	181,762,184
Grants receivable, net	9,106,111	8,232,888
Contribution receivable, net	5,500,134	4,665,176
Endowment appropriations for the next twelve months	336,243	322,594
Total financial assets	292,842,175	287,787,228
Less:		
Investments held for programmatic needs with a time horizon in excess of one year	(71,873,156)	(66,994,230)
Contributions receivable due after one year, net	(3,073,127)	(4,072,849)
Contributions receivable with restrictions outside of general operating, net	(255,896)	(235,831)
Board designated funds	(31,206,701)	(32,438,991)
Funds with donor-imposed restrictions outside of general operating	(111,913,784)	(93,128,933)
Total financial assets available to meet general expenditures within one year	\$ 74,519,511	\$ 90,916,394

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 9, PIH also has a line of credit which had availability of \$5.5 million as of June 30, 2024 and 2023, which can be used 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, 2024 and 2023.

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

	2024	2023
Amounts expected to be collected in:		
One year or less	\$ 798,686	\$ 655,088
Two to five years	3,715,752	1,952,319
Greater than five years	3,374,906	2,954,277
Less:		
Discount to present value	<u>(2,389,210)</u>	<u>(896,508)</u>
Contributions receivable, net	<u>\$ 5,500,134</u>	<u>\$ 4,665,176</u>

PIH had conditional contributions totaling \$22,500,000 and federal funds totaling \$2,100,000 at June 30, 2024 that are not recognized as revenues in the consolidated statement of activities.

PARTNERS IN HEALTH

Notes to Consolidated Financial Statements

Note 5 - Investments

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

	2024				
	Total	Investments Measured at NAV	Level 1	Level 2	Level 3
Investments					
Cash equivalents	\$ 56,712,458	\$ -	\$ 56,712,458	\$ -	\$ -
Mutual funds	613,371	-	613,371	-	-
Equity securities	36,455,044	-	36,455,044	-	-
Fixed income	119,554,207	-	110,785,420	8,768,787	-
Real estate investment trusts	200,160	-	200,160	-	-
Private equity and alternatives	308,870	308,870	-	-	-
Split interest agreements:					
Insurance contract	22,913	-	-	-	22,913
Total assets at fair value	\$ 213,867,023	\$ 308,870	\$ 204,766,453	\$ 8,768,787	\$ 22,913

	2023				
	Total	Investments Measured at NAV	Level 1	Level 2	Level 3
Investments					
Cash equivalents	\$ 88,863,836	\$ -	\$ 88,863,836	\$ -	\$ -
Mutual funds	706,085	-	706,085	-	-
Equity securities	13,282,845	-	13,282,845	-	-
Fixed income	78,333,046	-	75,523,611	2,809,435	-
Real estate investment trusts	167,210	-	167,210	-	-
Private equity and alternatives	387,242	387,242	-	-	-
Split interest agreements:					
Insurance contract	21,920	-	-	-	21,920
Total assets at fair value	\$ 181,762,184	\$ 387,242	\$ 178,543,587	\$ 2,809,435	\$ 21,920

Investments measured at Level 3 and NAV have redemption periods of over ninety days. Further disclosure associated with Level 3 investments has been omitted given the balance is de minimis to the consolidated financial statements as a whole.

There were no transfers between the levels within the fair value hierarchy during fiscal 2024 or 2023.

Unfunded commitments amounted to \$131,620 as of June 30, 2024.

PARTNERS IN HEALTH

Notes to Consolidated Financial Statements

Note 6 - Property and Equipment

Property and equipment is summarized as follows at June 30:

	2024	2023
Land	\$ 167,404	\$ 1,067,835
Building and improvements	16,110,843	13,761,650
Equipment and furniture	6,876,751	5,768,453
Vehicles	7,941,676	6,942,074
Capitalized software	<u>2,587,399</u>	<u>2,601,733</u>
Total property and equipment, gross	33,684,073	30,141,745
Less accumulated depreciation and amortization	<u>(13,097,013)</u>	<u>(12,320,213)</u>
Total property and equipment, net	<u>\$ 20,587,060</u>	<u>\$ 17,821,532</u>

Depreciation and amortization expense was approximately \$1,818,000 and \$1,717,000 for the years ended June 30, 2024 and 2023, respectively.

Note 7 - Leases

PIH leases office space and equipment under operating lease arrangements through March 2040 for which expense is recognized on a straight-line basis over the lease term. Lease expense was approximately \$3,818,000 and \$3,505,156 for the years ended June 30, 2024 and 2023, respectively.

Future minimum lease payments under operating leases are as follows as of June 30, 2024:

2025	\$ 3,134,445
2026	2,922,827
2027	2,847,386
2028	1,082,134
2029	448,426
Thereafter	<u>867,356</u>
Total minimum lease payments	11,302,574
Less: imputed interest	<u>(851,442)</u>
Total	<u>\$ 10,451,132</u>

PARTNERS IN HEALTH

Notes to Consolidated Financial Statements

Note 7 - Leases (Continued)

Other information related to operating leases is as follows for the years ended June 30:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities	\$ 3,060,805	\$ 2,624,135
Right-of-use assets obtained in exchange for lease obligations	\$ 1,901,587	\$ 13,428,486
Weighted average remaining lease term (years)	3.76	5.04
Weighted average discount rate	3.65%	3.02%

Note 8 - Net Assets and Endowment Related Matters

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

	2024	2023
Net investment in property and equipment	\$ 20,586,120	\$ 17,821,532
Board-designated assets	31,206,701	32,438,991
Non-recurring transformational assets	54,200,658	64,676,671
Other assets	<u>31,932,365</u>	<u>30,598,927</u>
	<u>\$ 137,925,844</u>	<u>\$ 145,536,121</u>

The PIH Board of Directors has designated a portion of the organization's net assets without donor restrictions to serve as an operational reserve.

In fiscal 2023, PIH received non-recurring transformational donations without donor restrictions in honor of Paul Farmer, which will further PIH's long-term strategic initiatives. Management has segregated these amounts as it expects to monitor and track the use of these resources over time.

PARTNERS IN HEALTH

Notes to Consolidated Financial Statements

Note 8 - Net Assets and Endowment Related Matters (Continued)

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

	2024			
	Beginning Balance	Additions and Net Investment Returns	Releases	Ending Balance
UGHE	\$ 51,258,901	\$ 49,648,858	\$ (18,799,827)	\$ 82,107,932
Multi-Site Support	35,882,774	33,782,847	(49,502,903)	20,162,718
Sierra Leone	20,895,586	15,180,081	(18,774,691)	17,300,976
Haiti	9,471,142	5,449,243	(9,320,441)	5,599,944
US Strategy	2,312,581	8,436,622	(6,177,110)	4,572,093
Rwanda	2,047,847	6,780,400	(4,892,676)	3,935,571
Mexico/Guatemala	724,732	3,068,570	(1,366,667)	2,426,635
Peru	1,404,303	12,615,442	(12,275,071)	1,744,674
Malawi	217,473	2,265,895	(1,830,237)	653,131
Lesotho	68,785	803,564	(615,106)	257,243
Liberia	167,675	405,423	(476,070)	97,028
Total funds held for specific purpose	<u>124,451,799</u>	<u>138,436,945</u>	<u>(124,030,799)</u>	<u>138,857,945</u>
Endowment corpus	7,374,906	300,279	-	7,675,185
Accumulated unspent gains	837,204	866,231	(530,589)	1,172,846
Total endowment	<u>8,212,110</u>	<u>1,166,510</u>	<u>(530,589)</u>	<u>8,848,031</u>
Total net assets with donor restrictions	<u>\$ 132,663,909</u>	<u>\$ 139,603,455</u>	<u>\$ (124,561,388)</u>	<u>\$ 147,705,976</u>

	2023			
	Beginning Balance	Additions and Net Investment Returns	Releases	Ending Balance
UGHE	\$ 9,552,564	\$ 50,241,947	\$ (8,535,610)	\$ 51,258,901
Multi-Site Support	56,141,742	31,750,765	(52,009,733)	35,882,774
Sierra Leone	18,099,853	11,777,812	(8,982,079)	20,895,586
Haiti	14,137,973	6,256,708	(10,923,539)	9,471,142
US Strategy	3,590,961	5,837,472	(7,115,852)	2,312,581
Rwanda	1,073,572	6,115,365	(5,141,090)	2,047,847
Peru	550,857	16,157,566	(15,304,120)	1,404,303
Mexico/Guatemala	875,809	928,892	(1,079,969)	724,732
Malawi	574,641	1,395,886	(1,753,054)	217,473
Liberia	259,899	1,079,388	(1,171,612)	167,675
Lesotho	118,185	658,795	(708,195)	68,785
Total funds held for specific purpose	<u>104,976,056</u>	<u>132,200,596</u>	<u>(112,724,853)</u>	<u>124,451,799</u>
Endowment corpus	7,075,210	299,696	-	7,374,906
Accumulated unspent gains	617,161	641,711	(421,668)	837,204
Total endowment	<u>7,692,371</u>	<u>941,407</u>	<u>(421,668)</u>	<u>8,212,110</u>
Total net assets with donor restrictions	<u>\$ 112,668,427</u>	<u>\$ 133,142,003</u>	<u>\$ (113,146,521)</u>	<u>\$ 132,663,909</u>

PARTNERS IN HEALTH

Notes to Consolidated Financial Statements

Note 8 - Net Assets and Endowment Related Matters (Continued)

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.

Endowment activity was as follows for the years ended June 30:

	2024	2023
Endowment assets and those functioning as endowment assets at July 1	\$ <u>8,212,110</u>	\$ <u>7,692,371</u>
Contributions and additions	300,279	299,696
Investment return	865,238	645,088
Change in value of charitable gift annuity	993	(3,377)
Expenditures:		
Expenditures from appropriation of endowment assets	<u>(530,589)</u>	<u>(421,668)</u>
Net change in endowment assets and those functioning as endowment assets	<u>635,921</u>	<u>519,739</u>
Endowment assets and those functioning as endowment assets at June 30	\$ <u><u>8,848,031</u></u>	\$ <u><u>8,212,110</u></u>

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 8 - 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, 2024, \$322,594 was calculated and approved for spending, of which \$530,589 was spent in accordance with the corresponding purpose and from prior year accumulated appropriated amounts which had yet to be spent. For the year ended June 30, 2023, \$313,617 was calculated and approved for spending, of which \$421,668 was spent in accordance with the corresponding purpose and from prior year accumulated appropriated amounts which had yet to be spent. 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 9 - 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 at a variable interest rate pegged to the Bloomberg Short-Term Bank Yield Index plus 2.5% which would have resulted in interest rates of 7.89% and 7.72% at June 30, 2024 and 2023, respectively, if the line of credit had been in use. The line of credit agreement requires that PIH must repay the full principal and interest outstanding by December 31st each year and cannot borrow again for a period of 60 days. The line is subject to an internal annual review by the bank each year. 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, 2024 and 2023.

Note 10 - Contributed Non-financial Assets

PIH receives contributions of donated land, medicines, and other goods, as well as contributions of services, including legal services, which it receives without charge. Donated land leases consist of land leases over periods of up to 51 years to be used for PIH to carry out its mission. Donated medicines and goods are used to carry out PIH's mission at its locations worldwide. PIH 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. During the years ended June 30, 2024 and 2023, PIH received approximately \$1,500,000 and \$1,100,000, respectively, of medical supplies as a gift in kind which were used for their donor-specified purpose. There are no donor-imposed restrictions on any contributed services at June 30, 2024 and 2023. Donated land is included in net assets with donor restriction due to time restrictions surrounding the use of the land.

Contributed non-financial assets is summarized as follows as of June 30:

	2024	2023
Donated medicines and goods	\$ 4,119,454	\$ 6,067,188
Donated land lease	846,967	-
Contributed services	<u>2,607,418</u>	<u>1,794,679</u>
Estimated fair value of donations	<u>\$ 7,573,839</u>	<u>\$ 7,861,867</u>

PARTNERS IN HEALTH

Notes to Consolidated Financial Statements

Note 11 - 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:

	2024	2023
Zanmi Lasante (Haitian NGO)	\$ 41,259,503	\$ 41,544,414
Community Outreach & Patient Empowerment (COPE)	1,684,191	2,248,474
IRD Global Limited	906,953	959,016
Médecins Sans Frontières (French NGO)	851,076	1,455,928
Regents of the University of California, SF	792,976	626,678
Other	<u>3,366,246</u>	<u>3,349,574</u>
	<u>\$ 48,860,945</u>	<u>\$ 50,184,084</u>

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 Outreach & Patient Empowerment (COPE) are for specific activities taking place in the Navajo Nation.

Grants to IRD Global Limited are related to specific activities the organization is performing as a sub-recipient on an end-TB grant from UNITAID.

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 Regents of the University of California, SF are related to specific activities the organization is performing as a sub-recipient on an end-TB grant from UNITAID.

Grants to IRD Global Limited are related to specific activities the organization is performing as a sub-recipient on an end-TB grant from UNITAID.

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

Note 12 - Charitable Gift Annuities

Obligations associated with expected future payments to beneficiaries associated with 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 \$1,963,344 and \$1,627,195 as of June 30, 2024 and 2023, respectively, which are included in accounts payable and accrued expenses.

PARTNERS IN HEALTH

Notes to Consolidated Financial Statements

Note 12 - Charitable Gift Annuities (Continued)

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 \$4,968,353 and \$3,997,990 as of June 30, 2024 and 2023, respectively, which are included in prepaid expenses and other assets.

Note 13 - Derivatives and Foreign Currency Transactions

The Organization's use of derivatives is limited to one foreign currency contract. PIH entered a forward contract during fiscal year 2023 to hedge against foreign currency fluctuations related to the South African Rand. A loss of \$193,964 is included in investment return for the year ended June 30, 2023. During 2024, the foreign currency contract was terminated resulting in a gain of \$228,046.

Note 14 - 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 15 - Retirement Plan

PIH has a qualified defined contribution retirement plan organized under IRS Code Section 401(k) that covers substantially all U.S.-based employees. Expenses under the plan were approximately \$982,000 and \$800,000 during the years ended June 30, 2024 and 2023, respectively.

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, 2024 through December 13, 2024, which was the date the consolidated financial statements were available to be issued, and determined that no subsequent event activity required recognition or disclosure.