FINANCIAL STATEMENTS

HEALTH FINANCE INSTITUTE

FOR THE YEAR ENDED DECEMBER 31, 2020

HEALTH FINANCE INSTITUTE

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Health Finance Institute
Washington, D.C.

We have audited the accompanying financial statements of the Health Finance Institute (the Institute), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and change in net assets, 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 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 auditor's 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 financial statements referred to above present fairly, in all material respects, the financial position of the Institute as of December 31, 2020, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

March 25, 2021

4550 MONTGOMERY AVENUE · SUITE 800 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · WWW.GRFCPA.COM

HEALTH FINANCE INSTITUTE

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 652,007
Grants receivable	1,633,848
Prepaid expenses	10,313
Total current assets	2,296,168
FIXED ASSETS	
Computer equipment	11,514
Website in progress	6,524
	18,038
Less: Accumulated depreciation	(2,140)
Net fixed assets	15,898
TOTAL ASSETS	**$ 2,312,066**
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Loans payable	$ 55,189
Accounts payable and accrued liabilities	5,172
Deferred revenue	35,000
Total current liabilities	95,361
NONCURRENT LIABILITIES	
Loans payable, net of current portion	53,811
Total liabilities	149,172
NET ASSETS	
Without donor restrictions	27,867
With donor restrictions	2,135,027
Total net assets	2,162,894
TOTAL LIABILITIES AND NET ASSETS	**$ 2,312,066**

HEALTH FINANCE INSTITUTE

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grants and contributions	$ -	$ 3,163,666	$ 3,163,666
Contract revenue	30,000	-	30,000
Contributed services	29,663	-	29,663
Other revenue	4,518	-	4,518
Net assets released from donor restrictions	1,028,639	(1,028,639)	-
Total support and revenue	1,092,820	2,135,027	3,227,847
EXPENSES			
Program Services	627,277	-	627,277
Supporting Services:			
Management and General	270,784	-	270,784
Fundraising	168,318	-	168,318
Total supporting services	439,102	-	439,102
Total expenses	1,066,379	-	1,066,379
Change in net assets	26,441	2,135,027	2,161,468
Net assets at beginning of year	1,426	-	1,426
NET ASSETS AT END OF YEAR	**$ 27,867**	**$ 2,135,027**	**$ 2,162,894**

HEALTH FINANCE INSTITUTE

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total Supporting Services	Total Expenses
Salaries and benefits	$ 260,482	$ 147,706	$ 90,169	$ 237,875	$ 498,357
Contract services	213,275	58,368	75,959	134,327	347,602
Professional fees	65,434	14,593	-	14,593	80,027
Travel	43,701	1,827	-	1,827	45,528
Contributed services	29,663	-	-	-	29,663
Other expenses	-	22,215	-	22,215	22,215
Office expenses	8,113	11,506	-	11,506	19,619
Occupancy	6,327	3,587	2,190	5,777	12,104
Interest, fees and dues	282	8,842	-	8,842	9,124
Depreciation	-	2,140	-	2,140	2,140
TOTAL	**$ 627,277**	**$ 270,784**	**$ 168,318**	**$ 439,102**	**$ 1,066,379**

HEALTH FINANCE INSTITUTE

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 2,161,468
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	2,140
Increase in:	
Grants receivable	(1,633,848)
Prepaid expenses	(10,313)
Decrease in:	
Accounts payable and accrued liabilities	5,172
Deferred revenue	35,000
Net cash provided by operating activities	559,619
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of fixed assets	(18,038)
Net cash used by investing activities	(18,038)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from loans payable	109,000
Net cash provided by financing activities	109,000
Net increase in cash and cash equivalents	650,581
Cash and cash equivalents at beginning of year	1,426
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 652,007**

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Health Finance Institute (the Institute) is a 501(c)(3) non-profit organization, incorporated in the State of Virginia during February 2019 and located in Washington, D.C. The Institute increases investment in non-communicable diseases by building public-private finance partnerships and translating economic evidence into actionable, high-impact blended finance investment opportunities worldwide. The Institute uses data and evidence, combined with financing expertise, to design innovative finance vehicles to close the global health and chronic disease financing gap. The Institute began operations during 2019.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entitie*s. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.

- **Net Assets With Donor Restrictions -** Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

New accounting pronouncement adopted -

During 2020, the Institute adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way the Institute recognized revenue; however, the presentation and disclosures of revenue have been enhanced. The Institute has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

Cash and cash equivalents -

The Institute considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to a limit of $250,000. At times during the year, the Institute maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Grants receivable -

Grants receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible within one year. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of $1,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation expense for the year ended December 31, 2020 totaled $2,140.

Income taxes -

The Institute is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Institute is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2020, the Institute has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Revenue -

Grants and contributions are recognized in the appropriate category of net assets in the period received. The Institute performs an analysis of the individual grant and contribution to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction, depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made.*

For grants and contributions qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Grants and contributions qualifying as contributions that are unconditional and have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Funds in in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Grants and contributions qualifying as conditional contributions contain a right of return from obligation provision that limits the Institute on how funds transferred should be spent. Additionally, a barrier is present that is related to the purpose of the agreement. Revenue is recognized when the condition or conditions on which they depend are substantially met. The Institute did not have any unrecognized conditional grants or contributions as of December 31, 2020.

Grants classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers* are recorded as revenue at a point in time when the performance obligations are met. Transaction price is based on cost.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Revenue (continued) -

The Institute receives funding under contracts for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such awards are recorded as exchange transactions within the "without donor restrictions" to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements. Contract awards received in advance of incurring the related expenses for direct and indirect program costs are recorded as deferred revenue.

Contributed services -

Contributed services consist of pro bono legal, project planning and IT support services. Contributed services are recorded at their fair value as of the date of the gift. In addition, volunteers have donated significant amounts of their time to the Institute; these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of the Institute are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact the Institute's operations. The overall potential impact is unknown at this time.

New accounting pronouncement not yet adopted -

FASB issued ASU 2019-01, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

New accounting pronouncement not yet adopted (continued) -

The Institute plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

2. LOANS PAYABLE

On May 6, 2020, the Institute received loan proceeds in the amount of $70,200 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first six months. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. The Institute intends to use the proceeds for purposes consistent with the Paycheck Protection Program and believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan. The Institute intends to apply for forgiveness after completing the 24-week period. If forgiveness is granted, the Institute will record revenue from debt extinguishments during the period that forgiveness is approved.

Principal payments as stated in the Paycheck Protection Program promissory note are due as follows unless otherwise forgiven:

Year Ending December 31,	
2021	$ 54,600
2022	15,600
	$ 70,200

In addition, on June 14, 2020, the Institute received loan proceeds in the amount of $38,800, under the Economic Injury Disaster Loan (EIDL) program administered by the Small Business Administration (SBA).

The promissory note calls for monthly payments of $167, comprising of both principal and interest payments, over the 30-year term of the promissory note, with a deferral of payments for the first twelve months. The loan has an annual interest rate is 2.75%. As part of the EIDL program, the Institute also received a $3,000 payment which will not require repayment. This amount is included in Other revenue in the accompanying Statement of Activities and Change in Net Assets.

Principal payments as stated in the EIDL Program promissory note are due as follows:

Year Ending December 31,	
2021	$ 589
2022	904
2023	929
2024	955
2025	981
2026 and Thereafter	34,442
	$ 38,800

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2020:

Subject to Expenditure for Specified Purpose:	
Catalyzing Financing and Partnerships - Chronic Disease	**$ 2,135,027**

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Purpose Restrictions Accomplished:	
Catalyzing Financing and Partnerships - Chronic Disease	**$ 1,028,639**

4. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	$ 652,007
Grants receivable	1,633,848
Subtotal financial assets available within one year	2,285,855
Less: Donor restricted funds	(2,135,027)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	**$ 150,828**

The Institute has a policy to structure its financial assets to be available and liquid as its obligations become due.

5. CONTRIBUTED SERVICES

During the year ended December 31, 2020, the Institute was the beneficiary of donated services which allowed the Institute to provide greater resources toward various programs. To properly reflect total program expenses, the following donations have been included in revenue and expense for the year ended December 31, 2020.

Donated legal services	$ 26,763
Donated project planning and IT services	2,900
TOTAL	**$ 29,663**

The following programs have benefited from these donated services:

Program Services	**$ 29,663**

6. OCCUPANCY

During the year ended December 31, 2020, the Institute used office space under a month-to-month agreement. Per the terms of the agreement, the Institute paid for the office space based on overall usage and the additional use of conference rooms.

6. OCCUPANCY (Continued)

Occupancy expense for the year ended December 31, 2020 totaled $12,104.

7. CONCENTRATION OF REVENUE

Approximately 97% of the Institute's revenue for the year ended December 31, 2020 was derived from a grant awarded by one grantor. The Institute has no reason to believe that relationships with these agencies will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect the Institute's ability to finance ongoing operations.

8. SUBSEQUENT EVENTS

In preparing these financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through March 25, 2021, the date the financial statements were issued.

On February 8, 2021, the Institute entered into a five-year promissory note agreement in the amount of $81,422 with a 1% fixed interest rate under the second round of funding from the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note, unless otherwise forgiven. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part.

On March 1, 2021, the Institute adopted a 401k retirement plan, covering all employees with a minimum of three months of service who are 21 years old or older. The plan does not require employer matching contributions.