

# **IntraHealth International, Inc.**

Financial Report  
June 30, 2022

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RSM US LLP

## Independent Auditor's Report

Board of Directors  
IntraHealth International, Inc.

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of IntraHealth International, Inc. (IntraHealth), which comprise the statements of financial position as of June 30, 2022 and 2021; the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended; and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of IntraHealth as of June 30, 2022 and 2021, 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.

#### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of IntraHealth 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.

#### Emphasis of Matter

As discussed in Note 12 of the financial statements, the beginning balance of net assets has been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not an absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* 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, internal 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 financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 IntraHealth'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about IntraHealth'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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2023, on our consideration of IntraHealth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of IntraHealth's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IntraHealth's internal control over financial reporting and compliance.

*RSM US LLP*

McLean, Virginia  
June 8, 2023



IntraHealth International, Inc.

**Statements of Financial Position**  
**June 30, 2022 and 2021**

	2022	2021 (Restated)
<b>Assets</b>		
Cash and cash equivalents	\$ 12,368,098	\$ 13,548,269
Grants receivable	4,346,029	6,574,780
Other advances	820,942	2,211,559
Prepaid expenses and other assets	1,100,061	1,566,439
Property and equipment, net	435,875	42,791
<b>Total assets</b>	<b>\$ 19,071,005</b>	<b>\$ 23,943,838</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 3,951,831	\$ 3,696,923
Accrued salaries and related benefits	5,212,540	5,924,190
Refundable advances	4,355,957	4,288,939
Deferred rent	21,400	21,400
<b>Total liabilities</b>	<b>13,541,728</b>	<b>13,931,452</b>
Commitments and contingencies (Notes 7, 8 and 10)		
Net assets:		
Without donor restrictions	3,574,526	3,038,183
With donor restrictions	1,954,751	6,974,203
<b>Total net assets</b>	<b>5,529,277</b>	<b>10,012,386</b>
<b>Total liabilities and net assets</b>	<b>\$ 19,071,005</b>	<b>\$ 23,943,838</b>

See notes to financial statements.

IntraHealth International, Inc.

**Statements of Activities and Changes in Net Assets**  
**Years Ended June 30, 2022 and 2021**

	2022			2021 (Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Grants, contracts and contributions:						
U.S. government grants and contracts	\$ 71,608,698	\$ -	\$ 71,608,698	\$ 81,979,508	\$ -	\$ 81,979,508
Non-U.S. government grants and contracts	4,449,750	-	4,449,750	4,655,080	6,200,410	10,855,490
Contributions	183,725	-	183,725	135,435	-	135,435
Contributed nonfinancial assets	2,389,018	-	2,389,018	5,545,245	-	5,545,245
Fee revenue	-	-	-	407,009	-	407,009
Net assets released from donor restrictions	5,019,452	(5,019,452)	-	6,334,062	(6,334,062)	-
<b>Total support and revenue</b>	<b>83,650,643</b>	<b>(5,019,452)</b>	<b>78,631,191</b>	<b>99,056,339</b>	<b>(133,652)</b>	<b>98,922,687</b>
Expenses:						
Program services	72,050,515	-	72,050,515	82,835,043	-	82,835,043
Supporting services:						
General and administrative	11,039,213	-	11,039,213	15,560,065	-	15,560,065
Fundraising	24,572	-	24,572	5,973	-	5,973
<b>Total supporting services</b>	<b>11,063,785</b>	<b>-</b>	<b>11,063,785</b>	<b>15,566,038</b>	<b>-</b>	<b>15,566,038</b>
<b>Total expenses</b>	<b>83,114,300</b>	<b>-</b>	<b>83,114,300</b>	<b>98,401,081</b>	<b>-</b>	<b>98,401,081</b>
<b>Changes in net assets</b>	<b>536,343</b>	<b>(5,019,452)</b>	<b>(4,483,109)</b>	<b>655,258</b>	<b>(133,652)</b>	<b>521,606</b>
Net assets:						
Beginning, as restated (Note 12)	3,038,183	6,974,203	10,012,386	2,382,925	7,107,855	9,490,780
Ending	\$ 3,574,526	\$ 1,954,751	\$ 5,529,277	\$ 3,038,183	\$ 6,974,203	\$ 10,012,386

See notes to financial statements.

IntraHealth International, Inc.

Statement of Functional Expenses  
Year Ended June 30, 2022

	Program Services	Supporting Services			Total
		General and Administrative	Fundraising	Total Supporting Services	
Salaries subject to U.S. fringe allocation	\$ 5,109,759	\$ 4,993,648	\$ 9,070	\$ 5,002,718	\$ 10,112,477
Other salaries not subject to U.S. fringe allocation (primarily overseas local hires)	16,512,544	397,829	-	397,829	16,910,373
<b>Total salaries</b>	<b>21,622,303</b>	<b>5,391,477</b>	<b>9,070</b>	<b>5,400,547</b>	<b>27,022,850</b>
Benefits	8,005,512	2,293,181	4,080	2,297,261	10,302,773
Office rent and other rentals	1,066,923	470,622	-	470,622	1,537,545
Utilities	90,485	2,251	-	2,251	92,736
Insurance	218,210	437,216	-	437,216	655,426
Depreciation and amortization	-	126,306	-	126,306	126,306
Communications	171,742	26,547	-	26,547	198,289
Travel	8,810,994	119,723	-	119,723	8,930,717
Professional services	5,822,544	1,693,194	9,000	1,702,194	7,524,738
Repairs and maintenance	396,135	-	-	-	396,135
Supplies/training	9,998,510	299,022	2,422	301,444	10,299,954
Publications	348,485	151,217	-	151,217	499,702
Equipment	223,948	-	-	-	223,948
Value added taxes	470,126	1,887	-	1,887	472,013
Employee relations	14,295	26,570	-	26,570	40,865
Subawards	12,401,285	-	-	-	12,401,285
Contributed nonfinancial assets	2,389,018	-	-	-	2,389,018
<b>Total expenses</b>	<b>\$ 72,050,515</b>	<b>\$ 11,039,213</b>	<b>\$ 24,572</b>	<b>\$ 11,063,785</b>	<b>\$ 83,114,300</b>

See notes to financial statements.

**IntraHealth International, Inc.**

**Statement of Functional Expenses  
Year Ended June 30, 2021**

	Program Services	Supporting Services			Total
		General and Administrative	Fundraising	Total Supporting Services	
Salaries subject to U.S. fringe allocation	\$ 2,552,853	\$ 6,642,112	\$ 1,454	\$ 6,643,566	\$ 9,196,419
Other salaries not subject to U.S. fringe allocation (primarily overseas local hires)	16,748,745	514,916	-	514,916	17,263,661
<b>Total salaries</b>	<b>19,301,598</b>	<b>7,157,028</b>	<b>1,454</b>	<b>7,158,482</b>	<b>26,460,080</b>
Benefits	7,465,650	3,346,235	705	3,346,940	10,812,590
Office rent and other rentals	1,131,134	607,042	-	607,042	1,738,176
Utilities	138,948	2,614	-	2,614	141,562
Insurance	321,090	520,299	-	520,299	841,389
Depreciation and amortization	-	90,460	-	90,460	90,460
Communications	814,562	81,955	-	81,955	896,517
Travel	13,823,043	20,102	-	20,102	13,843,145
Professional services	5,705,605	2,748,304	2,000	2,750,304	8,455,909
Repairs and maintenance	474,962	917	-	917	475,879
Supplies/training	8,292,183	531,299	1,814	533,113	8,825,296
Publications	1,394,172	245,662	-	245,662	1,639,834
Equipment	1,295,975	117,199	-	117,199	1,413,174
Value added taxes	421,639	7,434	-	7,434	429,073
Employee relations	16,543	83,515	-	83,515	100,058
Subawards	16,692,694	-	-	-	16,692,694
Contributed services and materials	5,545,245	-	-	-	5,545,245
<b>Total expenses</b>	<b>\$ 82,835,043</b>	<b>\$ 15,560,065</b>	<b>\$ 5,973</b>	<b>\$ 15,566,038</b>	<b>\$ 98,401,081</b>

See notes to financial statements.



**IntraHealth International, Inc.**

**Statements of Cash Flows**  
**Years Ended June 30, 2022 and 2021**

	<b>2022</b>	<b>2021 (Restated)</b>
Cash flows from operating activities:		
Change in net assets	\$ (4,483,109)	\$ 521,606
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	126,306	90,460
(Increase) decrease in:		
Grants receivable	2,228,751	(1,999,836)
Other advances	1,390,617	(635,977)
Prepaid expenses and other assets	466,378	(249,274)
Increase (decrease) in:		
Accounts payable and accrued liabilities	254,908	112,761
Accrued salaries and related benefits	(711,650)	449,153
Refundable advances	67,018	559,996
<b>Net cash used in operating activities</b>	<b>(660,781)</b>	<b>(1,151,111)</b>
Purchase of property and equipment	(519,390)	-
<b>Net cash used in investing activities</b>	<b>(519,390)</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,180,171)</b>	<b>(1,151,111)</b>
Cash and cash equivalents:		
Beginning	13,548,269	14,699,380
Ending	<b>\$ 12,368,098</b>	<b>\$ 13,548,269</b>

See notes to financial statements.

## IntraHealth International, Inc.

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities:** IntraHealth International, Inc. (IntraHealth) is a North Carolina based international nonprofit organization, incorporated on March 25, 2003. IntraHealth's mission is to enable health workers to serve communities in most need around the world. To support health workers, IntraHealth strengthens health systems, leverages partnerships, harnesses technology and fosters local solutions to health care challenges.

IntraHealth has partnered with governments, local organizations, nurses, midwives and doctors in 90 developing countries, reaching hundreds of thousands of people. IntraHealth receives funding and support from the U.S. Agency for International Development, the U.S. Centers for Disease Control and Prevention, private foundations, corporations and individuals.

A summary of IntraHealth's significant accounting policies follows:

**Basis of presentation:** The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Not-for-Profit Entities topic of the Accounting Standards Codification. IntraHealth is required to report information regarding its financial position and activities according to two classes of net assets:

**Net assets without donor restrictions:** Represents resources whose use is not restricted by donor stipulations and are available for the support of general operating activities.

**Net assets with donor restrictions:** Represents resources unavailable for use in the current period because of the existence of time and/or donor-imposed restrictions that remain unsatisfied at year-end or resources whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of IntraHealth. Investment income earned from contributions is classified as either net assets with donor restrictions or net assets without donor restrictions in accordance with donor stipulations. There were no perpetually restricted net assets as of June 30, 2022 and 2021.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

**Foreign currency transactions:** The financial statements and transactions of IntraHealth's foreign operations are generally maintained in the relevant local currency. Monthly expenses that are incurred by field offices and affiliates in foreign countries are paid at local currency and then translated into U.S. dollars at the rate of exchange in effect during the month of the transaction.

**Foreign currency translation:** The U.S. dollar is the functional currency for IntraHealth's worldwide operations. The financial statements and transactions of IntraHealth's foreign operations are generally maintained in the relevant local currency. Where local currencies are used, assets and liabilities are translated into U.S. dollars at the statements of financial position date at the exchange rate in effect at year-end. Monthly expenses that are incurred by field offices in foreign countries are translated into U.S. dollars at the rate of exchange in effect during the month of the transaction.

**Cash and cash equivalents:** IntraHealth considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.



**Note 1. Nature of Activities and Significant Accounting Policies (Continued)**

**Financial risk:** IntraHealth maintains its cash in bank deposits accounts which at times may exceed federally insured limits. IntraHealth has not experienced any losses in such accounts. IntraHealth believes it is not exposed to any significant financial risk on cash. Deposits held at institutions outside of the United States are not subject to depository insurance. As of June 30, 2022 and 2021, IntraHealth had \$3,205,422 and \$1,828,103, respectively, of cash and cash equivalents held in numerous financial institutions outside of the United States.

**Grants receivable:** IntraHealth receives grants from a number of organizations for various purposes. For grants that are recognized as unconditional promises to give, the receivable is recorded as support in the period during which the promise is made to IntraHealth. For grants determined to be conditional awards or grants, recognition is made as conditions are met or revenue earned, as applicable. Grants receivable are recorded at net realizable value, which approximates fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

**Other advances:** Other advances consist of amounts provided to IntraHealth's subawardees, subcontractors and employees to execute project objectives. Project costs incurred by these participants are recorded in the accompanying financial statements when reported to IntraHealth, and at which time the related advances are reduced and expenses are increased. Amounts not yet reimbursed by IntraHealth to these participants are recorded as accrued liabilities in the accompanying statements of financial position.

**Refundable advances:** IntraHealth records both grant payments received in advance of satisfying the donor-imposed conditions in addition to contract liabilities as refundable advance.

**Property and equipment:** Furniture, equipment and software purchases over \$5,000 are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the respective assets, generally three to five years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred.

Furniture, equipment and software purchased with grant funds become the property of the grantee upon the completion of the grant or project, subject to the grantor's approval and are expensed in the year purchased.

**Deferred rent:** IntraHealth has a lease agreement for rental space in their headquarters. The lease agreement provides for a period of free rent and escalated payments over the life of the lease. Rent expense is being recognized on a straight-line basis over the term of the lease. The difference between the expense and the cash payments is reported as deferred rent. The amount also includes the improvement allowances which are amortized on a straight-line basis over the life of the lease.

**Revenue recognition:** IntraHealth receives contributions and grants from federal agencies and nonfederal organizations for various purposes.

Unconditional contributions and grants are recognized as support when received. IntraHealth reports contributions as restricted support if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to net assets without donor restrictions and reported on the statements of activities as net assets released from restrictions.

**Note 1. Nature of Activities and Significant Accounting Policies (Continued)**

Conditional contributions and grants are recognized when the conditions on which they depend are substantially met. Under Accounting Standards Update (ASU) 2018-08, conditions are defined as refund clauses and barriers included in the grant agreement. Conditional contribution and grants, including federal awards, are recognized as revenue when conditions have been met which is generally as qualifying expenditures are incurred. Grant receivables are recorded to the extent unreimbursed expenditures have been incurred for the purposes specified by an approved grant. IntraHealth defers grant payments received under approved awards from grantors to the extent the payments exceed grant expenditures incurred for the purposes specified under the grant. Recognized conditional promises (conditional grants) are recorded to net assets without donors restrictions if any purpose or time restrictions are met simultaneously with the condition.

As of June 30, 2022 and 2021, IntraHealth has received obligated commitments from these agencies for future years through fiscal year 2025 totaling approximately \$68,327,187 and \$47,220,884, respectively. IntraHealth has made conditional grants to implementing partners of \$7,254,984 and \$11,636,742 as of June 30, 2022 and 2021, respectively. Future payments are contingent upon the implementing partners carrying out certain activities (meeting donor-imposed barriers) stipulated by the grant or contract. The amount of conditional grants and promises to give left to earn are not reported in the accompanying balance sheets or statements of activities.

**Contributed nonfinancial assets:** Contributed services and materials in the form of donations of professional services and donated other direct costs such as equipment transportation and rental space, are reflected in the accompanying financial statements as contributed nonfinancial assets revenue and expense and are recorded in the financial statements at their fair value on the date the contribution is made. All contributed services and materials received benefited IntraHealth's international programs during the years ended June 30, 2022 and 2021.

**Functional allocation of expenses:** The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes 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 IntraHealth are reported as direct expenses to the programmatic area, and those expenses that benefit more than one function are allocated on a basis of actual time and effort or other reasonable basis.

**Income taxes:** IntraHealth is organized as a North Carolina nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(a) as organization described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundation under IRC Sections 509(a)(1) and (3), respectively. IntraHealth is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, IntraHealth is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. We have determined that IntraHealth is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.



IntraHealth International, Inc.

Notes to Financial Statements

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**Note 1. Nature of Activities and Significant Accounting Policies (Continued)**

**Value added taxes (VAT):** Several countries around the world where IntraHealth implements its programmatic activities require the payment of VAT when invoices are paid. Upon the submission of monthly or quarterly reports reflecting the amount of VAT paid during the reporting period, IntraHealth should receive a credit in the form of a payment from the respective local governments. Due to the uncertainty of whether the VAT refunds will be received, IntraHealth has adopted a policy of expensing the VAT when paid and crediting the expenses when the refund is received.

Accordingly, receivables for the VAT paid and not collected has not been recorded in the accompanying financial statements.

**Adopted accounting pronouncement:** On September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this ASU is intended to increase the transparency of contributed nonfinancial assets, or gifts-in-kind, for not-for-profit entities through enhanced presentation and disclosure. This ASU requires that nonfinancial assets are presented as separate line items in the statements of activities and disclosures include a disaggregation of the amount contributed by category, a description of donor restrictions if any, and valuation techniques for the contributed nonfinancial assets received. The update was applied on a retrospective basis to the contributions recognized in the fiscal years ended June 30, 2022 and 2021. The adoption resulted in expanded disclosures around contributed nonfinancial assets (see Note 6).

**Pending accounting pronouncements:** In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheets for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard will be effective for IntraHealth for the fiscal year ending June 30, 2023. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. IntraHealth is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

**Subsequent events:** IntraHealth has evaluated subsequent events through June 8, 2023, the date on which the financial statements were available to be issued.

**Note 2. Grants Receivable**

Receivables associated with grants as of June 30, 2022 and 2021, were as follows:

	2022	2021
U.S. government	\$ 3,341,108	\$ 4,832,477
Other governments	238,343	577,712
Private foundations	705,077	207,818
Corporations	1,231	678,969
Other receivables	60,270	277,804
	<u>\$ 4,346,029</u>	<u>\$ 6,574,780</u>

At June 30, 2022 and 2021, all grants are expected to be collected within one year.

## IntraHealth International, Inc.

### Notes to Financial Statements

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#### Note 3. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of June 30, 2022 and 2021:

	2022	2021 (As restated)
Purpose restricted—international programs	\$ 1,954,751	\$ 6,974,203

#### Note 4. Net Assets Released From Donor Restrictions

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

	2022	2021 (As restated)
Purpose restricted—international programs	\$ 5,019,452	\$ 6,334,062

#### Note 5. Liquidity and Availability

Financial assets available for use for general expenditures within one year of the statements of financial position dates were comprised of the following:

	2022	2021 (As restated)
Cash and cash equivalents	\$ 12,368,098	\$ 13,548,269
Grants receivable	4,346,029	6,574,780
	16,714,127	20,123,049
Less:		
Donor restricted funds	(1,954,751)	(6,974,203)
Refundable advances	(4,355,957)	(4,288,939)
	(6,310,708)	(11,263,142)
Financial assets available to meet cash needs for general expenditures within one year	\$ 10,403,419	\$ 8,859,907

As a part of IntraHealth's liquidity management, cash is maintained at the level needed to meet its general expenditures, liabilities, and other obligations when they become due. U.S. government (USG) funded expenditures (both direct and allocated indirect) are the primary expenditures of the organization.

Funding for USG awards are obligated with the Department of Health and Human Services Payment Management System from which IntraHealth initiates timely drawdowns from its available balance to cover expenditures projected within the next several days. Funding from non-USG sources is primarily advanced to IntraHealth (typical of Foundations). Only a small portion of IntraHealth's funding comes from sources which do not advance funds and payments are made upon receipt of invoices.

As of June 30, 2022 and 2021, IntraHealth had financial assets equal to approximately one month of operating expenses. In addition, IntraHealth has a line of credit (as discussed in Note 10) which allows for additional available borrowings up to \$2,000,000.



# IntraHealth International, Inc.

## Notes to Financial Statements

### Note 6. Contributed Nonfinancial Assets

Contributed nonfinancial assets utilized in programs and activities for the years ended June 30, 2022 and 2021, are as follows (in thousands):

Category	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs	2022	2021
Other	Utilization of office space, mentorship, outreach support	No donor restrictions	Estimated fair market value of office space used and services provided by volunteers	\$ 2,033,742	\$ 720,014
Professional services	Health workers time and effort	No donor restrictions	Fair market value provided by foreign government health entities	355,277	4,825,231
				<u>\$ 2,389,019</u>	<u>\$ 5,545,245</u>

The above contributed nonfinancial assets were utilized in operational and program activities consistent with donor restrictions, where applicable.

### Note 7. Lease Commitments

IntraHealth leases office space in Chapel Hill, North Carolina (IntraHealth's headquarters) under an operating lease, which is set to expire in May 2024. Base rental payments began at \$39,020, subject to a 3% annual escalation.

IntraHealth leases office space in Washington, D.C. under an operating lease that expired in February 2021. Base rental payments began at \$10,504, subject to a 2.5% annual escalation.

U.S. GAAP requires that the total rent commitment be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability in the accompanying statements of financial position. The deferred rent liability aggregated \$21,400 as of June 30, 2022 and 2021, and includes both the Chapel Hill, North Carolina and Washington, D.C. office leases.

IntraHealth is also under various short-term and long-term field office leases in foreign countries, the terms of which vary by field office. In addition, IntraHealth incurred expenses for various short-term warehouse, venue and equipment rentals in the field offices.

As of June 30, 2022, the future minimum operating lease payments for U.S. and foreign office leases are as follows:

Years ending June 30:	
2023	\$ 564,674
2024	532,180
	<u>\$ 1,096,854</u>

Rent expense related to the U.S. office leases during the years ended June 30, 2022 and 2021, totaled approximately \$397,000 and \$581,000, respectively, and are included in office rent and other rentals in the accompanying statements of functional expenses.

**Notes to Financial Statements**

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**Note 7. Lease Commitments (Continued)**

Rent expense related to the field office leases during the years ended June 30, 2022 and 2021, totaled approximately \$1,088,000 and \$1,106,000, respectively, and are also included in office rent and other rentals in the accompanying statements of functional expenses.

**Note 8. Contingencies**

**U.S federal grants:** IntraHealth participates in federally assisted grant programs, which are subject to financial and compliance audits by the federal agency or their representatives. As such, there exists a contingent liability for potential questioned costs that may result from such audits. Management does not anticipate any significant adjustments as a result of such audits.

**Litigation:** IntraHealth is involved in various claims and legal actions arising in the ordinary course of business. Based upon information currently available, management believes the ultimate disposition of these matters will not have a material adverse effect on the financial position, changes in net assets or cash flows.

**Coronavirus:** The continued global pandemic has created substantial volatility in financial markets and the economy, including geographical areas in which IntraHealth operates. While IntraHealth has mitigated the financial impact to its business, it is unknown how long these conditions will last and what the complete financial effect will be to IntraHealth. Accordingly, there could be further negative impact to operations, the extent to which will depend on future developments, which are highly uncertain and cannot be predicted, and as such cannot be determined.

**Note 9. Economic Dependency**

Approximately, 93% and 86% of IntraHealth's total revenue (excluding contributed services and materials) for the years ended June 30, 2022 and 2021, respectively, were derived from grants awarded directly and indirectly by agencies of the USG. IntraHealth 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) could adversely affect IntraHealth's ability to finance ongoing operations.

**Note 10. Line of Credit**

IntraHealth has a \$2,000,000 line of credit with a local financial institution. There were no outstanding borrowings on the line of credit as of June 30, 2022. Future borrowing against the line of credit will bear interest at the prime rate, less 0.47%. The line of credit is unsecured. The current maturity date on the line of credit is May 7, 2023.

**Note 11. Retirement Plan**

Eligible employees of IntraHealth are covered by a defined contribution retirement plan under IRC Section 401(k) upon employment. IntraHealth provides plan participants with a contribution equal to 6% of their plan-defined eligible compensation. Additionally, IntraHealth matches elective contributions up to a maximum match of 4%. IntraHealth may elect to make changes to the contribution rates.

During the year ended June 30, 2022, total retirement expense amounted to \$1,005,646 and included 401(k) contributions of \$943,389 and third country national retirement expense of \$62,257. During the year ended June 30, 2021, total retirement expense amounted to \$962,147 and included 401(k) contributions of \$942,755 and third country national retirement expense of \$19,392.



**IntraHealth International, Inc.**

**Notes to Financial Statements**

**Note 12. Prior-Period Adjustment**

During the year ended June 30, 2022, an error was identified related to revenue recognition for the year ended June 30, 2021. IntraHealth recognized excess grants receivable and revenue totaling \$1,754,300 as of and for the year ended June 30, 2021. Accordingly, IntraHealth has restated its previously issued financial statements to correct this error. The effects of the restatement are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
<b>As of June 30, 2021:</b>			
Grants receivable—as previously reported			\$ 8,329,081
Effect of restatement adjustment			(1,754,300)
Grants receivable—as restated			<u>\$ 6,574,781</u>
Net assets—as previously reported	\$ 3,046,670	\$ 8,720,016	\$ 11,766,686
Effect of restatement adjustment	(8,487)	(1,745,813)	(1,754,300)
Net assets—as restated	<u>\$ 3,038,183</u>	<u>\$ 6,974,203</u>	<u>\$ 10,012,386</u>
<b>For the year ended June 30, 2021:</b>			
Non-U.S. government grants and contracts—as previously reported	\$ 6,409,380	\$ 6,200,410	\$ 12,609,790
Effect of restatement adjustment	(8,487)	(1,745,813)	(1,754,300)
Non-U.S. government grants and contracts—as restated	<u>\$ 6,400,893</u>	<u>\$ 4,454,597</u>	<u>\$ 10,855,490</u>
Change in net assets—as previously reported	\$ 663,745	\$ 1,612,161	\$ 2,275,906
Effect of restatement adjustment	(8,487)	(1,745,813)	(1,754,300)
Change in net assets—as restated	<u>\$ 655,258</u>	<u>\$ (133,652)</u>	<u>\$ 521,606</u>