

IntraHealth International, Inc.

Financial Report
June 30, 2023

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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, 2023 and 2022; 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, 2023 and 2022, 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.

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 March 26, 2024, 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

Washington, D.C.
March 26, 2024

IntraHealth International, Inc.

Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 8,525,223	\$ 12,368,098
Grants receivable	5,706,074	4,346,029
Other advances	709,910	820,942
Prepaid expenses and other assets	812,868	1,100,061
Financing lease right-of-use asset	11,069	-
Property and equipment, net	321,346	435,875
Operating lease right-of-use asset	561,819	-
	<u>16,648,309</u>	<u>19,071,005</u>
Total assets	\$ 16,648,309	\$ 19,071,005
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 5,307,587	\$ 3,951,831
Accrued salaries and related benefits	4,434,454	5,212,540
Refundable advances	546,220	4,355,957
Deferred rent	-	21,400
Financing lease liability	11,069	-
Operating lease liability	554,451	-
Total liabilities	<u>10,853,781</u>	<u>13,541,728</u>
Commitments and contingencies (Note 8)		
Net assets:		
Without donor restrictions	5,228,135	3,574,526
With donor restrictions	566,393	1,954,751
Total net assets	<u>5,794,528</u>	<u>5,529,277</u>
	<u>16,648,309</u>	<u>19,071,005</u>
Total liabilities and net assets	\$ 16,648,309	\$ 19,071,005

See notes to financial statements.

IntraHealth International, Inc.

**Statements of Activities and Changes in Net Assets
Years Ended June 30, 2023 and 2022**

	2023			2022		
	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	\$ 56,456,089	\$ -	\$ 56,456,089	\$ 71,608,698	\$ -	\$ 71,608,698
Non-U.S. government grants and contracts	8,464,370	-	8,464,370	4,449,750	-	4,449,750
Contributions	124,691	25,000	149,691	183,725	-	183,725
Contributed nonfinancial assets	1,673,349	-	1,673,349	2,389,018	-	2,389,018
Net assets released from donor restrictions	1,413,358	(1,413,358)	-	5,019,452	(5,019,452)	-
Total support and revenue	68,131,857	(1,388,358)	66,743,499	83,650,643	(5,019,452)	78,631,191
Expenses:						
Program services	56,518,359	-	56,518,359	72,160,008	-	72,160,008
Supporting services:						
General and administrative	9,930,711	-	9,930,711	10,929,683	-	10,929,683
Fundraising	29,178	-	29,178	24,609	-	24,609
Total supporting services	9,959,889	-	9,959,889	10,954,292	-	10,954,292
Total expenses	66,478,248	-	66,478,248	83,114,300	-	83,114,300
Changes in net assets	1,653,609	(1,388,358)	265,251	536,343	(5,019,452)	(4,483,109)
Net assets:						
Beginning	3,574,526	1,954,751	5,529,277	3,038,183	6,974,203	10,012,386
Ending	\$ 5,228,135	\$ 566,393	\$ 5,794,528	\$ 3,574,526	\$ 1,954,751	\$ 5,529,277

See notes to financial statements.

IntraHealth International, Inc.

Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services	Supporting Services			Total
		General and Administrative	Fundraising	Total Supporting Services	
Salaries subject to U.S. fringe allocation	\$ 4,126,244	\$ 4,468,314	\$ 12,678	\$ 4,480,992	\$ 8,607,236
Other salaries not subject to U.S. fringe allocation (primarily overseas local hires)	14,839,318	477,491	-	477,491	15,316,809
Total salaries	18,965,562	4,945,805	12,678	4,958,483	23,924,045
Benefits	7,668,923	2,235,412	6,223	2,241,635	9,910,558
Office rent and utilities	798,907	594,514	-	594,514	1,393,421
Insurance	138,283	438,954	-	438,954	577,237
Depreciation and amortization	97,097	17,381	51	17,432	114,529
Communications	307,650	27,156	-	27,156	334,806
Travel	4,605,015	153,015	-	153,015	4,758,030
Professional services	4,141,982	735,166	10,226	745,392	4,887,374
Repairs and maintenance	552,500	-	-	-	552,500
Supplies/training	9,488,455	643,176	-	643,176	10,131,631
Publications	245,063	89,940	-	89,940	335,003
Equipment	151,894	-	-	-	151,894
Value added taxes	324,643	25,411	-	25,411	350,054
Employee relations	45,481	24,781	-	24,781	70,262
Subawards	7,313,555	-	-	-	7,313,555
Contributed nonfinancial assets	1,673,349	-	-	-	1,673,349
Total expenses	\$ 56,518,359	\$ 9,930,711	\$ 29,178	\$ 9,959,889	\$ 66,478,248

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
Total salaries	21,622,303	5,391,477	9,070	5,400,547	27,022,850
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	109,493	16,776	37	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
Total expenses	\$ 72,160,008	\$ 10,929,683	\$ 24,609	\$ 11,063,785	\$ 83,114,300

See notes to financial statements.

IntraHealth International, Inc.

**Statements of Cash Flows
Years Ended June 30, 2023 and 2022**

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 265,251	\$ (4,483,109)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	114,529	126,306
Amortization of financing lease right-of-use asset	16,218	-
Amortization of operating lease right-of-use asset	750,251	-
(Increase) decrease in:		
Grants receivable	(1,360,045)	2,228,751
Other advances	111,032	1,390,617
Prepaid expenses and other assets	287,193	466,378
Increase (decrease) in:		
Accounts payable and accrued liabilities	1,355,756	254,908
Accrued salaries and related benefits	(778,086)	(711,650)
Refundable advances	(3,809,737)	67,018
Operating lease liability	(750,251)	-
Net cash used in operating activities	(3,797,889)	(660,781)
Cash flows from investing activities:		
Purchase of property and equipment	(28,768)	(519,390)
Net cash used in investing activities	(28,768)	(519,390)
Cash flows from financing activities:		
Principal repayments on financing lease	(16,218)	-
Net cash used in financing activities	(16,218)	-
Net decrease in cash and cash equivalents	(3,842,875)	(1,180,171)
Cash and cash equivalents:		
Beginning	12,368,098	13,548,269
Ending	\$ 8,525,223	\$ 12,368,098
Supplemental disclosures of cash flow information:		
Addition to operating lease right-of-use asset as of July 1, 2022	\$ 1,329,557	
Addition to financing lease right-of-use asset as of July 1, 2022	\$ 27,287	
Addition to operating lease liability as of July 1, 2022	\$ 1,308,157	
Addition to financing lease liability as of July 1, 2022	\$ 27,287	

See notes to financial statements.

IntraHealth International, Inc.

Notes to Financial Statements

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 (ASC). 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, 2023 and 2022.

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, all assets and liabilities besides nonfinancial 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. Nonfinancial assets and liabilities are translated into U.S. dollars at the historical exchange rate. 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, 2023 and 2022, IntraHealth had \$3,338,873 and \$3,205,422, 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 advances.

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.

Right-of-use assets: Right-of-use (ROU) assets consist of the initial lease liability, any payments made to the lessor at or before the commencement date minus any incentives received, and initial direct costs. ROU assets on operating type leases are amortized over the lease term in conjunction with the amortization of the lease liability in order to achieve a straight-line expense recognition.

Lease liabilities: Long-term leases are recognized at the present value of all lease payments using a risk-free rate comparable with that of the individual lease terms.

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, 2023 and 2022, IntraHealth has received obligated commitments from these agencies for future years through fiscal year 2034 totaling approximately \$43,578,812 and \$68,327,187, respectively. IntraHealth has made conditional grants to implementing partners of \$5,203,140 and \$7,254,984 as of June 30, 2023 and 2022, 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 statements of financial position 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, 2023 and 2022.

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. IntraHealth has determined that it 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

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 have not been recorded in the accompanying financial statements.

Adopted accounting pronouncement: On July 1, 2022, IntraHealth adopted ASU 2016-02 using the modified retrospective approach with cumulative effect of applying the standard being recognized at the date of initial adoption. IntraHealth elected to apply the package of practical expedients related to the transition. These practical expedients allowed IntraHealth to carry forward its historical assessments of whether any existing contracts are or contain leases, the lease classification for each lease existing at July 1, 2022, and whether any initial direct costs for such leases qualified for capitalization. The adoption of the new lease standard did not materially impact change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

Pending accounting pronouncements: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost.

The ASU required financial assets measured at amortized cost (including loans and trade receivables) to be presented at the net amount expected to be collected through an allowance for credit losses. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of activities as the amounts expected to be collected change. In July 2019, FASB extended the effective date for ASU 2016-13 beginning with IntraHealth fiscal year end June 30, 2024, with early adoption permitted. IntraHealth is currently evaluating the impact the adoption of this guidance will have on its financial statements.

Subsequent events: IntraHealth has evaluated subsequent events through March 26, 2024, the date on which the financial statements were available to be issued.

Note 2. Grants Receivable

Receivables associated with grants as of June 30, 2023 and 2022, were as follows:

	<u>2023</u>	<u>2022</u>
U.S. government	\$ 4,614,433	\$ 3,341,108
Other governments	6,818	238,343
Private foundations	1,068,207	705,077
Other receivables	16,616	61,501
	<u>\$ 5,706,074</u>	<u>\$ 4,346,029</u>

At June 30, 2023 and 2022, all grants are expected to be collected within one year.

IntraHealth International, Inc.

Notes to Financial Statements

Note 3. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Purpose restricted—international programs	<u>\$ 566,393</u>	<u>\$ 1,954,751</u>

Note 4. Net Assets Released From Donor Restrictions

The following net assets were released from donor restrictions for the years ended June 30, 2023 and 2022, by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

	<u>2023</u>	<u>2022</u>
Purpose restricted—international programs	<u>\$ 1,413,358</u>	<u>\$ 5,019,452</u>

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:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 8,525,223	\$ 12,368,098
Grants receivable	5,706,074	4,346,029
	<u>14,231,297</u>	<u>16,714,127</u>
Less:		
Donor restricted funds	(566,393)	(1,954,751)
Refundable advances	(546,220)	(4,355,957)
	<u>(1,112,613)</u>	<u>(6,310,708)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,118,684</u>	<u>\$ 10,403,419</u>

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, 2023 and 2022, 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, 2023 and 2022, are as follows (in thousands):

Category	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs	2023	2022
Other	Utilization of office space, mentorship, outreach support	No donor restrictions	Estimated fair market value of office space used and services provided by volunteers	\$ 1,131,084	\$ 2,033,742
Professional services	Health workers time and effort	No donor restrictions	Fair market value provided by foreign government health entities	542,265	355,277
				<u>\$ 1,673,349</u>	<u>\$ 2,389,019</u>

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

Note 7. Leases

Operating leases: 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 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.

The weighted-average discount rate of the office lease is 2.84% The weighted-average remaining lease term is .88 years.

Supplemental cash flow information related to leases is as follows for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	<u>\$ 564,674</u>
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Future undiscounted cash flows for 2024 and a reconciliation to the lease liability recognized on the statements of financial position are as follows at June 30, 2023:

Years ending June 30:	
2024	\$ 560,627
Total lease payments	<u>560,627</u>
Less imputed interest	6,176
Total present value of lease liabilities	<u>\$ 554,451</u>

IntraHealth International, Inc.

Notes to Financial Statements

Note 7. Lease Commitments (Continued)

Future minimum lease payments, as determined under ASC 840, at June 30, 2022, are as follows:

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

Lease expense for the years ended June 20, 2023 and 2022, totaled approximately \$1,312,000 and \$1,485,000, respectively.

Financing lease: IntraHealth executed an agreement to lease a copier effective July 2022. The lease term is 20 months and will expire in February 2024.

Lease expense for the year ended June 30, 2023, was \$5,149. The discount rate of the finance lease is 2.82%. The remaining lease term is 0.58 years.

Future minimum cash basis lease payments are as follows:

Years ending June 30:	
2024	\$ 11,160
Total lease payments	<u>11,160</u>
Less imputed interest	91
Total present value of lease liabilities	<u>\$ 11,069</u>

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.

Note 9. Economic Dependency

Approximately, 87% and 93% of IntraHealth's total revenue (excluding contributed services and materials) for the years ended June 30, 2023 and 2022, 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, 2023. Future borrowing against the line of credit will bear interest at the Secured Overnight Financing Rate (SOFR), plus 1.85%. The current maturity date on the line of credit is August 7, 2024.

IntraHealth International, Inc.

Notes to Financial Statements

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 3% 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, 2023, total retirement expense amounted to \$735,939 and included 401(k) contributions of \$678,423 and third country national retirement expense of \$57,516. 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 \$62,757.