

Vital Strategies, Inc. and Affiliate

Consolidated Financial Statements

December 31, 2023



Independent Auditors' Report

Board of Trustees of Vital Strategies, Inc. and Affiliate

Opinion

We have audited the accompanying consolidated financial statements Vital Strategies, Inc. and Affiliate ("Vital Strategies"), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Vital Strategies and Affiliate as of December 31, 2023, and the consolidated changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Vital Strategies and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Vital Strategies' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Vital Strategies' 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.

Report on Summarized Comparative Information

We have previously audited Vital Strategies' December 31, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 12, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of financial position and consolidating schedule of activities on pages 22 and 23 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

PKF O'Connor Davies, LLP

June 13, 2024

Vital Strategies, Inc. and Affiliate

Consolidated Statement of Financial Position December 31, 2023 (with comparative amounts at December 31, 2022)

	2023	2022
ASSETS		
Cash	\$ 25,668,631	\$ 27,841,114
Grants receivable (Note 5)	34,916,666	71,125,915
Other receivables	357,636	141,296
Grant advances (Note 10)	1,713,446	1,988,085
Prepaid expenses	1,162,009	1,131,414
Due from the Union, net (Note 11)	-	760,000
Short-term investments (Note 6)	10,076,150	15,380,399
Right of use asset, net (Note 9)	21,165,730	23,023,284
Property and equipment, net (Note 7)	1,015,941	1,195,137
	\$ 96,076,209	\$ 142,586,644
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 5,190,185	\$ 6,066,747
Grants payable	-	3,193,999
Lease liabilities (Note 9)	22,452,816	24,181,821
Deferred revenue	589,624	2,484
Total Liabilities	28,232,625	33,445,051
Net Assets		
Without donor restrictions	2,004,392	(824,091)
With donor restrictions (Note 8)	65,839,192	109,965,684
Total Net Assets	67,843,584	109,141,593
	\$ 96,076,209	\$ 142,586,644

See notes to consolidated financial statements

Vital Strategies, Inc. and Affiliate

Consolidated Statement of Activities Year Ended December 31, 2023 (with summarized totals for the year ended December 31, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
REVENUE AND SUPPORT				
Grants	\$ 1,515,242	\$ 64,819,401	\$ 66,334,643	\$ 99,226,488
Federal grants	286,965	367,364	654,329	403,859
Contributions	3,392,004	55,178	3,447,182	4,134,120
Fees for service	-	-	-	217,840
Interest income	252,845	396,745	649,590	231,235
Investment income	139,588	282,360	421,948	(140,044)
Net assets released from restrictions	108,547,540	(108,547,540)	-	-
Total Revenue and Support	114,134,184	(42,626,492)	71,507,692	104,073,498
OPERATING EXPENSES				
Program services	94,839,048	-	94,839,048	102,400,102
Management and general	14,543,815	-	14,543,815	13,531,949
Fundraising	1,170,541	-	1,170,541	1,103,105
Total Operating Expenses	110,553,404	-	110,553,404	117,035,156
Excess (Deficit) of Revenue and Support over Operating Expenses	3,580,780	(42,626,492)	(39,045,712)	(12,961,658)
NONOPERATING ACTIVITIES				
Losses on foreign currency translation	(16,892)	-	(16,892)	(152,490)
Tax expenses	(29,838)	-	(29,838)	-
Transfer of grant funds (Note 13)	-	(1,500,000)	(1,500,000)	(35,658,575)
Forgiveness of Due from the Union	(760,000)	-	(760,000)	-
Forgiveness of grant activity from the Union	(2,845,567)	-	(2,845,567)	-
Forgiveness of grants payable from funder	2,900,000	-	2,900,000	-
Change in Net Assets	2,828,483	(44,126,492)	(41,298,009)	(48,772,723)
NET ASSETS				
Beginning of year	(824,091)	109,965,684	109,141,593	157,914,316
End of year	\$ 2,004,392	\$ 65,839,192	\$ 67,843,584	\$ 109,141,593

See notes to consolidated financial statements

Vital Strategies, Inc. and Affiliate

Consolidated Statement of Functional Expenses Year Ended December 31, 2023 (with summarized totals for the year ended December 31, 2022)

	Supporting Services			2023 Total	2022 Total
	Program Services	Management and General	Fundraising		
Grant expenses	\$ 46,182,275	\$ 2,854,143	\$ 8,750	\$ 49,045,168	\$ 51,348,182
Salaries	18,679,854	5,306,124	814,894	24,800,872	27,267,206
Payroll taxes and benefits	4,840,972	1,412,610	227,747	6,481,329	6,605,163
Consultants	11,035,386	786,567	25,743	11,847,696	14,658,831
Training and recruitment	75,592	248,905	2,702	327,199	111,441
Professional fees	245,333	245,186	-	490,519	452,817
Program service agreements	5,020,708	-	-	5,020,708	6,579,745
Other professional services	740,770	1,201,038	8,877	1,950,685	1,723,615
Travel	4,534,187	297,775	27,650	4,859,612	3,069,983
Equipment	149,615	227,684	4,682	381,981	818,766
Maintenance	2,440	141,150	-	143,590	166,998
Supplies	39,368	67,409	-	106,777	93,971
Depreciation	18,755	214,879	-	233,634	229,905
Occupancy costs	1,926,118	464,051	42,865	2,433,034	2,514,117
Postage and delivery	2,619	3,752	170	6,541	23,793
Insurance	2,960	249,195	-	252,155	228,333
Utilities	184,912	73,638	5,456	264,006	267,030
Conference and meetings	573,095	114,994	540	688,629	433,525
Provision (recovery) for non-reimbursable expenses	-	425,146	-	425,146	(350,000)
Other expenses	584,089	209,569	465	794,123	791,735
	<u>\$ 94,839,048</u>	<u>\$ 14,543,815</u>	<u>\$ 1,170,541</u>	<u>\$ 110,553,404</u>	<u>\$ 117,035,156</u>
Total Expenses					

See notes to consolidated financial statements

Vital Strategies, Inc. and Affiliate

Consolidated Statement of Cash Flows Year Ended December 31, 2023 (with comparative amounts for the year ended December 31, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (41,298,009)	\$ (48,772,723)
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized gains	(139,588)	(142,316)
Depreciation	233,634	229,905
Forgiveness of grants payable	(2,900,000)	-
Forgiveness of accounts receivable	2,845,567	-
Forgiveness of Due from the Union	760,000	-
Provision for non-reimbursable expenses	425,146	(350,000)
Amortization of right of use asset	1,857,554	1,898,275
Change in operating assets and liabilities		
Grants receivable	32,938,536	(3,338,170)
Other receivables	(216,340)	54,355
Grant advances	274,639	(188,810)
Prepaid expenses	(30,595)	(131,048)
Accounts payable and accrued expenses	(876,562)	(3,830,465)
Grants payable	(293,999)	(4,851,855)
Deferred revenue	587,140	(215,356)
Payments on lease liability	(1,729,005)	(1,761,261)
Net Cash from Operating Activities	(7,561,882)	(61,399,469)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(54,438)	(42,577)
Purchases of short-term investments	(556,163)	-
Sales of short-term investments	6,000,000	20,295,172
Net Cash from Investing Activities	5,389,399	20,252,595
Net Change in Cash	(2,172,483)	(41,146,874)
CASH		
Beginning of year	27,841,114	68,987,988
End of year	\$ 25,668,631	\$ 27,841,114

See notes to consolidated financial statements

Vital Strategies, Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023

1. Organization and Tax Status

The accompanying consolidated financial statements include the accounts of Vital Strategies, Inc. and Vital Strategies India Services PL.

Vital Strategies, Inc. is a fully registered not-for-profit organization incorporated in the State of New Jersey with authority to do business in the State of New York. Vital Strategies, Inc. maintains an office in New York City. Vital Strategies, Inc. is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”). Vital Strategies, Inc. is a public charity within the meaning of Section 509(a) of the Code.

The mission of Vital Strategies, Inc. is to partner with international organizations, foundations, and governments to reimagine and implement evidence-based, locally driven policies and practices that advance public health by improving the health conditions of individuals and communities.

Vital Strategies India Services PL, with a registered office in New Delhi, was incorporated in 2021 and is a wholly owned subsidiary of Vital Strategies, Inc. Vital Strategies India Services PL was formed to provide all types of management consultancy services in related public health and other related sectors to private and public sector organizations and governments within and outside India.

Vital Strategies, Inc. also maintains affiliations with three independent entities who use the *Vital Strategies* name and branding located in France, Singapore and Brazil. Also, Vital Strategies Action Fund, Inc. (the “Action Fund”) operates exclusively for the promotion of social welfare within the meaning of Section 501(c)(4) of the Internal Revenue Code of 1986 and is considered an affiliate of Vital Strategies, Inc.

In addition, Vital Strategies, Inc. operates branches in Jinan, China and in Addis Ababa, Ethiopia, to assist in program implementation throughout China and Ethiopia.

2. Summary of Significant Accounting Policies

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Vital Strategies, Inc., and Vital Strategies India Services PL (collectively “Vital Strategies”).

Basis of Presentation and Use of Estimates

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent 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.

Vital Strategies, Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023

2. Summary of Significant Accounting Policies (continued)

Operating Measure

The operating measure in the consolidated statement of activities is identified as excess (deficit) of revenue and support over operating expenses. Changes in net assets which are excluded from the operating measure include losses on foreign currency translation, gain on investments in affiliate, tax expenses and forgiveness of certain receivables and payables.

Revenue Recognition

When revenue is earned over a period that spans the year end, it is recognized in the applicable period in which it is earned. Fees for service revenue is reported when services are provided. Deferred revenue are funds received in advance and not yet earned. Based on strong collection experience, Vital Strategies has concluded that all revenue recognized is probable of collection.

Net Asset Presentation

Net assets without donor restrictions are available for use at the discretion of the Board of Trustees (the "Board") and/or management for program and general operating expenses.

Net assets with donor restrictions are subject to donor-imposed stipulations that will be met by actions of Vital Strategies, or passage of time.

Vital Strategies reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use or time of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends, or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported on the consolidated statement of activities as net assets released from restrictions.

Vital Strategies, Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023

2. Summary of Significant Accounting Policies (continued)

Short-term Investments

Vital Strategies, Inc. invests a portion of its available cash in liquid investments with an average duration of a half year. Investments are reported at fair value on the consolidated statement of financial position.

Grant Agreements and Contributions

Grant agreements are examined on an individual basis to determine if they meet the requirements of a contribution rather than an exchange transaction. Those grants, that are considered to be unconditional contributions, as well as other unconditional contributions, are recorded upon receipt of an unconditional pledge or of cash and reported as net assets with or without donor restrictions depending on the existence of any donor restrictions.

Prior to 2023, various donors to Vital Strategies entered into unconditional multi-year grant agreements to provide programmatic services. Therefore, US GAAP required these agreements to be recognized in the year they were signed. Beginning in 2023, most unconditional grant agreements were for a one-year term. As a result, revenue recognized for grants in 2023 was at a reduced amount as compared to 2022.

Grants receivable with due dates extending beyond one year are discounted using the U.S. Treasury rate, plus an appropriate percentage of additional risk. At December 31, 2023 and 2022, grants receivable are expected to be collected within one year.

Grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding, after management has used reasonable collection efforts, are written off through a charge to the valuation allowance and a credit to receivables. At December 31, 2023 and 2022, Vital Strategies deems all grants receivable are collectible.

Property and Equipment

Property and equipment are carried at cost, or if donated, fair value at the date of the donation. Vital Strategies capitalizes all purchases of property and equipment equal to or greater than \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 7 years. Leasehold improvements are depreciated over the life of the lease.

Under the terms of its agreements with government funding agencies, assets that are acquired with government contract revenues that revert to that agency upon termination of the program are not capitalized and are expensed when acquired. During the years ended December 31, 2023 and 2022 no assets were acquired with grant funds.

Vital Strategies, Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023

2. Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is noted. If the carrying amount of the asset is not recoverable, the value is written down to the asset's fair value. There were no asset impairments for the years ended December 31, 2023 and 2022.

Functional Allocation of Expenses

Expenses are summarized and categorized based upon their functional classification as either program services, management and general or fundraising. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain expenses are attributable to more than one program or supporting function and have been allocated in reasonable ratios determined by management. The more significant expenses that are allocated include salaries, payroll taxes and benefits, and occupancy costs, which are allocated based on time and effort and full time equivalent.

Foreign Currency Translation

Vital Strategies has determined that its functional currency is the U.S. dollar. Accordingly, assets and liabilities denominated in other currencies are translated using the current exchange rates in effect at the consolidated statement of financial position date. Revenue and expense accounts are translated at the average rate in effect during the year.

Summarized Comparative Information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with Vital Strategies' financial statements as of and for the year ended December 31, 2022, from which summarized information was derived.

Accounting for Uncertainty in Income Taxes

Vital Strategies, Inc. recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that Vital Strategies, Inc. had no uncertain tax positions that would require financial statement recognition or disclosure. Vital Strategies, Inc. is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2020.

Vital Strategies India Services PL is subject to income tax under the Indian Tax Act, 1961. Such amounts were immaterial for the years ended December 31, 2023 and 2022.

Vital Strategies, Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023

2. Summary of Significant Accounting Policies *(continued)*

Leases

Vital Strategies leases office space and determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use assets (“ROU assets”) and operating lease liabilities on the accompanying consolidated statement of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. When leases do not provide an implicit borrowing rate, Vital Strategies uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset includes any lease payments made and excludes lease incentives. The lease terms may include options to extend the lease and when it is reasonably certain that Vital Strategies will exercise that option, such amounts are included in ROU assets and lease liabilities. Lease expense for the lease payments is recognized on a straight-line basis of the lease term.

Vital Strategies’ lease agreement does not contain any material residual value guarantees or material restrictive covenants.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the consolidated financial statements through the date that the consolidated financial statements were available to be issued, which is June 13, 2024.

Vital Strategies, Inc. and Affiliate

Notes to Consolidated Financial Statements December 31, 2023

3. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the consolidated statement of financial position date, are comprised of the following at December 31:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash	\$ 25,668,631	\$ 27,841,114
Grants receivable, net	34,916,666	71,125,915
Other receivables	357,636	141,296
Short-term investments	<u>10,076,150</u>	<u>15,380,399</u>
Total Financial Assets	<u>71,019,083</u>	<u>114,488,724</u>
Less amounts unavailable for general expenditure:		
Donor imposed restrictions by purpose	(65,839,192)	(109,965,684)
Add amounts available for general expenditure:		
Budgeted appropriation and satisfaction of donor imposed restrictions	22,144,402	31,401,950
Indirect cost rate related to restricted programs	<u>4,780,482</u>	<u>5,032,957</u>
	<u>26,924,884</u>	<u>36,434,907</u>
Financial Assets at Year-End Available to Meet Cash		
Needs for General Expenditure Within One Year	<u>\$ 32,104,775</u>	<u>\$ 40,957,947</u>

As part of Vital Strategies' liquidity strategy, management structures its financial assets, consisting of cash, short-term investments and receivables to be available as its general expenditures, liabilities and obligations come due within one year. Excess cash is invested in liquid securities, which could be drawn upon readily in the event of an unanticipated liquidity need. In addition, Vital Strategies receives cash flow from grants and contributions made from donors through its fundraising efforts.

4. Significant Grant Agreements

In 2017, Vital Strategies, Inc. was awarded a grant, with multiple amendments made in following years, for the Tobacco Control Program by Bloomberg Philanthropies. In December 2022, Bloomberg Philanthropies renewed the grant for an additional two-year period with additional funds totaling \$20.1 million. As of December 31, 2022, total funding for the program since inception amounted to \$138.8 million.

Vital Strategies, Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023

4. Significant Grant Agreements *(continued)*

In July 2018, Vital Strategies, Inc. was awarded a grant, with multiple amendments made in the following years, for the Opioid Overdose Prevention initiative by Bloomberg Philanthropies. In February 2022, the agreement was amended and extended through September 2023, and an additional \$22.4 million was granted, increasing the total agreement to \$71.6 million. In October 2023, the agreement was amended and extended through September 2024, and an additional \$22.7 million was granted, increasing the total agreement to \$94.3 million.

In January 2023, Vital Strategies, Inc. was awarded a grant for the Partnership for Healthy Cities initiative by Bloomberg Philanthropic totaling \$5.8 million.

In February 2021, Vital Strategies, Inc. was awarded a two-year grant for the Data for Health initiative by the National Philanthropic Trust totaling to \$36.4 million. In February 2022, the agreement was amended and extended through March 2023, and an additional \$4.8 million was granted. In March and June 2023, the agreement was amended and extended through March 2024, and an additional \$22.4 million was granted, increasing the total agreement to \$63.6 million.

In February 2023, Vital Strategies, Inc. was awarded a grant for the Obesity Prevention Program initiative by Bloomberg Philanthropies totaling \$7.4 million.

In June 2017, Vital Strategies, Inc. was awarded a five-year grant for the RESOLVE initiative by the Bill & Melinda Gates Foundation amounting to \$50 million, payable in equal installments. As the grant has annual conditions attached, the grant was not recognized in full as an unconditional promise to give. During the year ended December 31, 2021, Vital Strategies, Inc. received \$10 million towards this grant initiative. During the year ended December 31, 2022, the full grant and funds already received were transferred to a new entity.

In June and November 2022, Vital Strategies, Inc. was awarded two grants totaling \$17.9 million for the Road Safety initiative by Schwab Charitable.

In March 2022, Vital Strategies, Inc. was awarded a grant totaling \$13.5 million for the Alcohol Consumption Control initiative by Silicon Valley Community Foundation.

Vital Strategies, Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023

5. Grants Receivable

Vital Strategies has the following grants receivable at December 31:

	2023	2022
Grants receivable		
Foundations/Others	\$ 34,916,666	\$ 67,640,505
The International Union Against Tuberculosis and Lung Disease	-	3,485,410
	\$ 34,916,666	\$ 71,125,915

Collections on the outstanding grants at December 31, 2023 are fully collectible and due within one year.

6. Fair Value Measurement

Vital Strategies follows US GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

The following table summarizes Vital Strategies' investments measured at fair value and are categorized using the fair value as of December 31:

	2023		
	Level 1	Level 2	Total
Investments			
Money market fund	\$ 28,615	\$ -	\$ 28,615
Commercial paper	-	2,014,225	2,014,225
Corporate and foreign bonds	-	2,364,748	2,364,748
Mutual funds	1,442,209	-	1,442,209
	\$ 1,470,824	\$ 4,378,973	5,849,797
Certificate of deposits*			4,226,353
			\$10,076,150

Vital Strategies, Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023

6. Fair Value Measurement *(continued)*

	2022		
	Level 1	Level 2	Total
Investments			
Money market fund	\$ 14,167	\$ -	\$ 14,167
Treasury bills	2,505,659	-	2,505,659
Commercial paper	-	3,690,799	3,690,799
Corporate bonds	-	6,561,371	6,561,371
Mutual funds	<u>1,533,247</u>	<u>-</u>	<u>1,533,247</u>
	<u>\$ 4,053,073</u>	<u>\$10,252,170</u>	14,305,243
Certificate of deposits*			<u>1,075,156</u>
			<u>\$15,380,399</u>

* The value of the certificates of deposit is recorded at cost plus accrued interest.

7. Property and Equipment

Property and equipment consisted of the following at December 31:

	2023	2022
Equipment	\$ 1,355,020	\$ 1,300,582
Leasehold improvement	<u>1,348,379</u>	<u>1,348,379</u>
	2,703,399	2,648,961
Accumulated depreciation	<u>(1,687,458)</u>	<u>(1,453,824)</u>
	<u>\$ 1,015,941</u>	<u>\$ 1,195,137</u>

Vital Strategies, Inc. and Affiliate

Notes to Consolidated Financial Statements December 31, 2023

8. Net Assets with Donor Restrictions

The following summarizes the changes in net assets with donor restrictions for the years ended December 31:

	2023				
	Beginning of Year	Additions and Interest Income	Released from Restrictions	Transfer of Grant Funds	End of Year
Tobacco Control Initiative	\$ 32,681,807	\$ 180,500	\$ (23,217,362)	\$ -	\$ 9,644,945
Data For Health Initiative	8,785,523	23,111,596	(22,724,093)	-	9,173,026
Global Road Safety Initiative	15,480,826	93,019	(13,384,025)	-	2,189,820
STREAM Clinical Trials	2,427,333	22,325	(2,351,233)	-	98,425
Other Health Programs	764,482	2,470,677	(2,854,163)	-	380,996
RESET Alcohol	14,155,566	98,126	(3,012,551)	(1,500,000)	9,741,141
Obesity Prevention Initiative	3,226,828	7,491,086	(7,762,992)	-	2,954,922
RTSL Cardiovascular	-	2,792,241	(2,792,241)	-	-
Resolve Media Campaigns	-	589,300	(194,083)	-	395,217
Partnership for Healthy Cities Initiative	5,097,324	5,846,444	(7,981,836)	-	2,961,932
Mayors Challenge	-	270,000	(268,280)	-	1,720
Opioid Overdose Prevention	26,523,994	22,857,557	(21,110,647)	-	28,270,904
Data Driven Health Policy	822,001	11,027	(806,884)	-	26,144
USAID	-	87,150	(87,150)	-	-
	<u>\$ 109,965,684</u>	<u>\$ 65,921,048</u>	<u>\$ (108,547,540)</u>	<u>\$ (1,500,000)</u>	<u>\$ 65,839,192</u>

	2022				
	Beginning of Year	Additions and Interest Income	Released from Restrictions	Transfer of Grant Funds	End of Year
Tobacco Control Initiative	\$ 31,138,005	\$ 20,422,605	\$ (18,878,803)	\$ -	\$ 32,681,807
Data For Health Initiative	30,877,458	4,879,863	(26,971,798)	-	8,785,523
Global Road Safety Initiative	6,714,707	18,190,419	(9,424,300)	-	15,480,826
STREAM Clinical Trials	1,719,243	8,542,827	(7,834,737)	-	2,427,333
Other Health Programs	829,345	2,818,279	(2,883,142)	-	764,482
RESET Alcohol	52,066	14,989,850	(886,350)	-	14,155,566
Obesity Prevention Initiative	1,292,493	5,129,841	(3,195,506)	-	3,226,828
RESOLVE	55,462,977	1,297,708	(21,102,110)	(35,658,575)	-
Partnership for Healthy Cities Initiative	10,281,693	230	(5,184,599)	-	5,097,324
Mayors Challenge	29,828	235,304	(265,132)	-	-
Opioid Overdose Prevention	18,313,129	22,899,426	(14,688,561)	-	26,523,994
Data Driven Health Policy	1,727,017	631	(905,647)	-	822,001
	<u>\$ 158,437,961</u>	<u>\$ 99,406,983</u>	<u>\$ (112,220,685)</u>	<u>\$ (35,658,575)</u>	<u>\$ 109,965,684</u>

Contributions reported with donor restrictions shown in the above tables are recognized in full in the year the grant agreement is signed and committed provided all conditions have been met. For the years ended December 31, 2023 and 2022, unconditional contributions and interest income with donor restrictions totaled \$65,921,048 and \$99,406,983, respectively.

Vital Strategies, Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023

9. Commitments

Operating Leases

On October 6, 2017, Vital Strategies entered into new lease agreements for two floors of leasable space. The 4th floor lease term began on October 15, 2018 (“effective date”), with an expiration date of May 14, 2034. The 5th floor lease term began on June 1, 2018 with an expiration date of October 28, 2033. During 2023, the Organization entered into two new lease agreements for office space in India. The term for the office space for both lease began on March 1, 2023 and July 1, 2023 (“effective date”), with an expiration date of February 28, 2025, and June 30, 2025, respectively.

Occupancy costs for the above operating leases is calculated on a straight-line basis over the term of the respective leases. Occupancy costs for the lease agreements is \$2,433,034 and \$2,514,117 for the years ended December 31, 2023 and 2022, respectively, in the consolidated statement of functional expenses. Occupancy costs for 2023 consists of \$396,238 related to imputed interest on the lease liabilities, \$1,857,554 related to amortization on the right-of-use asset, and the remainder relates to variable lease expenses of \$179,242 in accordance with lease agreements. Occupancy costs for 2022 consists of \$428,358 related to imputed interest on the lease liabilities, \$1,898,275 related to amortization on the right-of-use asset, and the remainder relates to variable lease expenses of \$187,484 in accordance with lease agreements.

The right-of-use asset and corresponding liability associated with future lease payments on the above lease as of and for the years ended December 31, are shown below:

	2023	2022
Right-of-use asset	\$ 21,165,730	\$ 23,023,284
Lease liability	22,452,816	24,181,821
Weighted Average:		
Discount rate	1.73%	1.72%
Remaining lease term in years	10.09	11.10
ROU assets obtained in exchange for operating lease obligations	\$ 93,188	\$ 24,921,560
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 2,253,792	\$ 2,181,537

ROU asset is net of \$3,755,829 and \$1,898,275 accumulated amortization at December 31, 2023 and 2022, respectively.

Vital Strategies, Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023

9. Commitments (continued)

Operating Leases (continued)

Undiscounted operating lease payments are reconciled to the lease liabilities recorded on the statement of financial position at December 31, 2023 are as follows:

Year	Amount
2023	\$ 2,363,563
2024	2,371,420
2025	2,321,404
2026	2,321,404
2027	2,337,528
Thereafter	<u>12,763,385</u>
Total Future Minimum Lease Payments	24,478,704
Less Imputed Interest	<u>(2,025,888)</u>
Total Operating Lease Liability	<u>\$ 22,452,816</u>

10. Related Party Transactions

Vital Strategies partners with affiliated international offices in Singapore (“VS Singapore”), Brazil (“VS Brazil”) and France (Vital Strategies Endowment Fund (“VS Paris”)) and the Action Fund and maintains various agreements that allow for the exchange of finances in support of general operations, projects, activities, and personnel.

During the course of any year, the transfer of funds and donations between the entities may be exercised through these agreements, for the purposes of implementing the most efficient and effective work arrangements. Vital Strategies accepts to undertake such activities only after careful examinations indicate that basing activities in the New York City office reflects the most prudent, efficient, and effective course to be taken.

Vital Strategies, Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023

10. Related Party Transactions *(continued)*

Below is a summary of amounts funded to the affiliates, and grant advances as shown on the consolidated statements of activities and financial position, respectively, as of and for the years ended, December 31:

	2023	
	Grant Funding	Grant Advances
VS Singapore	\$ 6,599,817	\$ 914,337
VS Brazil	2,850,024	534,814
VS Paris	3,283,060	25,449
The Action Fund	-	238,846
	<u>\$ 12,732,901</u>	<u>\$ 1,713,446</u>

	2022	
	Grant Funding	Grant Advances
VS Singapore	\$ 5,151,206	\$ 1,006,944
VS Brazil	2,200,766	500,982
VS Paris	2,573,304	474,112
The Action Fund	-	6,047
	<u>\$ 9,925,276</u>	<u>\$ 1,988,085</u>

Vital Strategies provides funding to its international affiliates for work related to their common charitable purposes and funding to the Action Fund.

11. Due From the Union

The International Union Against Tuberculosis and Lung Disease (the "Union") is a business partner of Vital Strategies located in Paris, France. Vital Strategies partners with the Union through technical expertise, project management, funding assistance and membership coordination.

In 2021, the Union communicated to Vital Strategies that it is facing significant financial issues that could impact the collectability of receivables due from the Union to Vital Strategies. In November 2021, a memorandum of understanding ("MOU") was executed between Vital Strategies and the Union. During 2023, Vital Strategies forgave the amount due from the Union of approximately \$0.8 million, reported as nonoperating activity on the 2023 consolidated statement of activities.

Vital Strategies, Inc. and Affiliate

Notes to Consolidated Financial Statements
December 31, 2023

11. Due From the Union (*continued*)

During 2023, Vital Strategies and the Union agreed that \$2.85 million of program activities were forgiven. This forgiveness is reported as forgiveness of grant activity from the Union in nonoperating activities on the consolidated statement of activities.

12. Other Significant Concentrations

Financial instruments that potentially subject Vital Strategies to concentrations consist principally of cash, short-term investments and grants receivable. Vital Strategies maintains its cash balances at financial institutions located in New York. At times, cash balances, may be in excess of the balance insured by the Federal Deposit Insurance Corporation. Investments are diversified by type and are highly liquid short-term investments, so that no individual group of investments represents a significant concentration of credit risk.

As of and for the years ended December 31, 2023 and 2022, three and one funding sources accounted for approximately 67% and 87% of grants receivable, respectively, and three and five funding sources accounted for approximately 92% of revenue and support.

13. Transfer of Grant Funds

In December 2021, Vital Strategies entered into an agreement to transition the RESOLVE Project (the "Project") to Resolve to Save Lives, Inc., a newly formed Delaware non-stock not-for-profit corporation. The new entity assumed all the Project's activities as of March 31, 2022, amounting to \$35,658,575. Funding for the Project was received and recorded as net assets with donor restrictions as of December 31, 2021. The transfer is reported as transfer of grant funds in the accompanying 2022 consolidated statement of activities.

In 2022, Vital Strategies entered into the RESET Alcohol Project ("RESET"). RESET called for a portion of the funding to be used for the Action Fund. In 2023, Vital Strategies transferred \$1,500,000 to the Action Fund as per the agreement and is reported as transfer of grant funds in the accompanying 2023 consolidated statement of activities.

14. Employee Retention Credit

During the year ended December 31, 2023, Vital Strategies qualified for the Employee Retention Credit ("ERC") which is a refundable payroll tax credit for employers who had operations fully or partially suspended due to orders from a governmental authority or whose revenues decreased by a specified threshold. When eligible, an entity can claim a refund in excess of the payroll taxes paid based upon the amount of qualified wages and health insurance paid. Because the amount of the credit is in excess of the payroll taxes paid, the ERC is considered a conditional government grant. Accordingly, Vital Strategies has elected to follow the guidance in Accounting Standards Codification 958-605 in which conditional government grants are recognized in income as conditions are met. In October 2023, management submitted the application and recognized the full credit of approximately \$3.65 million. At December 31, 2023, management recognized a 100% reserve on this amount.

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Vital Strategies, Inc. and Affiliate

Supplementary Information

December 31, 2023

Vital Strategies, Inc. and Affiliate

Consolidating Statement of Financial Position December 31, 2023

	Vital Strategies, Inc.	Vital Strategies India Services PL	Total	Eliminations	Consolidated
ASSETS					
Cash	\$ 25,599,268	\$ 69,363	\$ 25,668,631	\$ -	\$ 25,668,631
Grants receivable	34,916,666	-	34,916,666	-	34,916,666
Other receivables	357,636	638,370	996,006	(638,370)	357,636
Grant advances	1,713,446	-	1,713,446	-	1,713,446
Prepaid expenses	940,205	221,804	1,162,009	-	1,162,009
Short-term investments	10,076,150	-	10,076,150	-	10,076,150
Investment in affiliate	355,675	-	355,675	(355,675)	-
Right of use asset, net	21,165,730	-	21,165,730	-	21,165,730
Property and equipment, net	948,297	67,644	1,015,941	-	1,015,941
	<u>\$ 96,073,073</u>	<u>\$ 997,181</u>	<u>\$ 97,070,254</u>	<u>\$ (994,045)</u>	<u>\$ 96,076,209</u>
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued expenses	\$ 4,935,769	\$ 418,004	\$ 5,353,773	\$ (163,588)	\$ 5,190,185
Grants payable	234,302	-	234,302	(234,302)	-
Lease liabilities	22,452,816	-	22,452,816	-	22,452,816
Deferred revenue	606,602	223,502	830,104	(240,480)	589,624
Total Liabilities	<u>28,229,489</u>	<u>641,506</u>	<u>28,870,995</u>	<u>(638,370)</u>	<u>28,232,625</u>
Net Assets					
Without donor restrictions	2,004,392	355,675	2,360,067	(355,675)	2,004,392
With donor restrictions	65,839,192	-	65,839,192	-	65,839,192
Total Net Assets	<u>67,843,584</u>	<u>355,675</u>	<u>68,199,259</u>	<u>(355,675)</u>	<u>67,843,584</u>
	<u>\$ 96,073,073</u>	<u>\$ 997,181</u>	<u>\$ 97,070,254</u>	<u>\$ (994,045)</u>	<u>\$ 96,076,209</u>

See independent auditors' report

Vital Strategies, Inc. and Affiliate

Consolidating Statement of Activities Year Ended December 31, 2023

	Without Donor Restrictions			With Donor Restrictions		
	Vital Strategies, Inc.	Vital Strategies India Services PL	Eliminations	Total	Vital Strategies, Inc.	Total
REVENUE AND SUPPORT						
Grants	\$ 1,515,242	\$ -	\$ -	\$ 1,515,242	\$ 64,819,401	\$ 66,334,643
Federal grants	-	286,965	-	286,965	367,364	654,329
Contributions	3,392,004	-	-	3,392,004	55,178	3,447,182
Fees for service	-	3,274,362	(3,274,362)	-	-	-
Interest income	251,617	1,228	-	252,845	396,745	649,590
Investment income	139,588	-	-	139,588	282,360	421,948
Net assets released from restrictions	108,547,540	-	-	108,547,540	(108,547,540)	-
Total Revenue and Support	<u>113,845,991</u>	<u>3,562,555</u>	<u>(3,274,362)</u>	<u>114,134,184</u>	<u>(42,626,492)</u>	<u>71,507,692</u>
OPERATING EXPENSES						
Program services	94,921,552	2,781,620	(2,864,124)	94,839,048	-	94,839,048
Management and general	14,330,693	659,456	(446,334)	14,543,815	-	14,543,815
Fundraising	1,170,541	-	-	1,170,541	-	1,170,541
Total Operating Expenses	<u>110,422,786</u>	<u>3,441,076</u>	<u>(3,310,458)</u>	<u>110,553,404</u>	<u>-</u>	<u>110,553,404</u>
Excess (Deficit) of Revenue and Support over Operating Expenses	3,423,205	121,479	36,096	3,580,780	(42,626,492)	(39,045,712)
NONOPERATING ACTIVITIES						
Gains (losses) on foreign currency translation	(390)	19,594	(36,096)	(16,892)	-	(16,892)
Gain on investment in affiliate	111,235	-	(111,235)	-	-	-
Tax expenses	-	(29,838)	-	(29,838)	-	(29,838)
Transfer of grant funds	-	-	-	-	(1,500,000)	(1,500,000)
Forgiveness of Due from the Union	(760,000)	-	-	(760,000)	-	(760,000)
Forgiveness of grant activity from the Union	(2,845,567)	-	-	(2,845,567)	-	(2,845,567)
Forgiveness of grants payable from funder	2,900,000	-	-	2,900,000	-	2,900,000
Change in Net Assets	2,828,483	111,235	(111,235)	2,828,483	(44,126,492)	(41,298,009)
NET ASSETS						
Beginning of year	(824,091)	244,290	(244,290)	(824,091)	109,965,684	109,141,593
Capital contribution	-	150	(150)	-	-	-
End of year	<u>\$ 2,004,392</u>	<u>\$ 355,675</u>	<u>\$ (355,675)</u>	<u>\$ 2,004,392</u>	<u>\$ 65,839,192</u>	<u>\$ 67,843,584</u>

See independent auditors' report