

Vital Strategies, Inc.

Financial Statements and
Uniform Guidance Schedules
Together With Independent Auditors' Reports

December 31, 2020

Vital Strategies, Inc.

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Uniform Guidance Schedules
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TABLE OF CONTENTS	Page
Independent Auditors' Report	
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-19
UNIFORM GUIDANCE REPORTS AND SCHEDULES	
Schedule of Expenditures of Federal Awards and Accompanying Notes	20
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	
Schedule of Findings and Questioned Costs	25

Independent Auditors' Report

Board of Trustees
Vital Strategies, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Vital Strategies, Inc., which comprise the statement of financial position as of December 31, 2020 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vital Strategies, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited Vital Strategies, Inc.'s December 31, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 25, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 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 financial statements as a whole. The accompanying schedule of expenditures of federal awards on page 20 as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2021 on our consideration of Vital Strategies, Inc.'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 Vital Strategies, Inc.'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 Vital Strategies, Inc.'s internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

June 24, 2021

Vital Strategies, Inc.

Statement of Financial Position December 31, 2020 (with comparative amounts at December 31, 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 120,481,807	\$ 42,916,221
Cash held for others (Note 11)	220,032	266,982
Grants receivable, net (Note 5)	44,856,164	93,201,536
Other receivables	175,711	90,392
Grant advances (Note 11)	1,052,467	239,652
Prepaid expenses	840,210	464,747
Due from The Union, net (Note 11)	-	5,418,879
Short-term investments (Note 6)	50,527,163	50,223,672
Property and equipment, net (Note 7)	<u>1,550,500</u>	<u>1,749,275</u>
	<u>\$ 219,704,054</u>	<u>\$ 194,571,356</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 4,301,971	\$ 2,714,573
Cash held for others (Note 11)	220,032	266,982
Grants payable	1,040,977	3,799,233
Deferred rent	1,034,109	1,046,694
Deferred revenue	3,033,411	-
Paycheck protection program loan payable	<u>1,205,759</u>	<u>-</u>
Total Liabilities	<u>10,836,259</u>	<u>7,827,482</u>
Net Assets		
Without donor restrictions (Note 8)	(1,507,309)	3,598,435
With donor restrictions (Note 9)	<u>210,375,104</u>	<u>183,145,439</u>
Total Net Assets	<u>208,867,795</u>	<u>186,743,874</u>
	<u>\$ 219,704,054</u>	<u>\$ 194,571,356</u>

See notes to financial statements

Vital Strategies, Inc.

Statement of Activities Year Ended December 31, 2020 (with summarized totals for the year ended December 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
REVENUE AND SUPPORT				
Grants	\$ 452,864	\$ 123,462,837	\$ 123,915,701	\$ 207,545,896
Federal grants	-	10,828,741	10,828,741	10,928,169
Contributions	3,643,144	40,370,996	44,014,140	3,166,029
Fees for service	1,963,344	-	1,963,344	-
Interest income	25,528	466,236	491,764	777,683
Investment income	202,038	-	202,038	323,910
Other income	-	-	-	41,947
Net assets released from restrictions	147,899,145	(147,899,145)	-	-
Total Revenue and Support	<u>154,186,063</u>	<u>27,229,665</u>	<u>181,415,728</u>	<u>222,783,634</u>
OPERATING EXPENSES				
Program Services				
Research assistance	13,862,441	-	13,862,441	21,004,441
Public health	126,990,171	-	126,990,171	81,207,740
Total Program Services	<u>140,852,612</u>	<u>-</u>	<u>140,852,612</u>	<u>102,212,181</u>
Management and general	17,134,207	-	17,134,207	13,882,304
Fundraising	1,181,055	-	1,181,055	1,134,609
Total Operating Expenses	<u>159,167,874</u>	<u>-</u>	<u>159,167,874</u>	<u>117,229,094</u>
Adjustment to grants received (Note 9)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,739,000)</u>
Excess of Revenue and Support over Operating Expenses	(4,981,811)	27,229,665	22,247,854	102,815,540
NONOPERATING ACTIVITIES				
(Losses) gains on foreign currency translation	<u>(123,933)</u>	<u>-</u>	<u>(123,933)</u>	<u>89,364</u>
Change in Net Assets	(5,105,744)	27,229,665	22,123,921	102,904,904
NET ASSETS				
Beginning of year	<u>3,598,435</u>	<u>183,145,439</u>	<u>186,743,874</u>	<u>83,838,970</u>
End of year	<u>\$ (1,507,309)</u>	<u>\$ 210,375,104</u>	<u>\$ 208,867,795</u>	<u>\$ 186,743,874</u>

See notes to financial statements

Vital Strategies, Inc.

Statement of Functional Expenses Year Ended December 31, 2020 (with summarized totals for the year ended December 31, 2019)

	Program Services			Supporting Services		2020 Total	2019 Total
	Research Assistance	Public Health	Total Program Services	Management and General	Fundraising		
Grant expenses	\$ 9,839,787	\$ 63,093,979	\$ 72,933,766	\$ 1,423,705	\$ -	\$ 74,357,471	\$ 51,221,956
Salaries	1,093,576	18,504,674	19,598,250	6,687,878	734,352	27,020,480	20,997,007
Payroll taxes and benefits	292,338	5,048,851	5,341,189	1,364,727	209,648	6,915,564	5,521,157
Consultants	1,973,483	20,595,084	22,568,567	1,197,456	154,266	23,920,289	12,218,805
Training and recruitment	9,489	102,912	112,401	71,008	583	183,992	188,474
Professional fees	98,128	65,798	163,926	239,370	-	403,296	508,661
Program service agreements	505	8,053,546	8,054,051	71,171	-	8,125,222	13,862,210
Other professional services	6,175	730,451	736,626	979,649	9,661	1,725,936	1,102,563
Travel	25,920	851,070	876,990	83,472	750	961,212	5,084,279
Equipment	233,065	1,107,615	1,340,680	574,322	3,155	1,918,157	1,368,226
Maintenance	3,876	39,605	43,481	141,489	386	185,356	133,658
Supplies	450	71,175	71,625	87,102	-	158,727	181,354
Depreciation	-	6,905	6,905	202,404	-	209,309	194,800
Occupancy costs	156,866	1,697,297	1,854,163	617,922	62,116	2,534,201	2,398,331
Postage and delivery	8,970	15,263	24,233	8,899	-	33,132	45,649
Insurance	101,876	8,293	110,169	179,610	-	289,779	278,598
Utilities	11,634	160,120	171,754	69,682	5,271	246,707	290,140
Conference and meetings	2,633	37,155	39,788	5,619	807	46,214	711,852
Provision for non-reimbursable expenses	-	-	-	611,598	-	611,598	576,157
Provision for bad debts	-	6,598,475	6,598,475	2,428,957	-	9,027,432	-
Other expenses	3,670	201,903	205,573	88,167	60	293,800	345,217
Total Expenses	<u>\$ 13,862,441</u>	<u>\$ 126,990,171</u>	<u>\$ 140,852,612</u>	<u>\$ 17,134,207</u>	<u>\$ 1,181,055</u>	<u>\$ 159,167,874</u>	<u>\$ 117,229,094</u>

See notes to financial statements

Vital Strategies, Inc.

Statement of Cash Flows
Year Ended December 31, 2020
(with comparative amounts for the year ended December 31, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 22,123,921	\$ 102,904,904
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized gains	(202,038)	(323,910)
Depreciation	209,309	194,800
Provision for bad debts	9,027,432	-
Deferred rent	(12,585)	388,876
Discount on grants receivable	45,871	(124,461)
Change in operating assets and liabilities		
Grants receivable	46,360,428	(72,355,619)
Other receivables	(85,319)	278,738
Grant advances	(812,815)	(155,570)
Prepaid expenses	(375,463)	(74,107)
Due from The Union	(1,669,480)	(2,657,151)
Accounts payable and accrued expenses	1,587,398	1,196,178
Grants payable	(2,758,256)	1,070,264
Deferred revenue	3,033,411	-
Net Cash from Operating Activities	76,471,814	30,342,942
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(10,534)	(194,900)
Purchases of short-term investments	(111,551,405)	(74,680,325)
Sales of short-term investments	111,449,952	44,557,982
Net Cash from Investing Activities	(111,987)	(30,317,243)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from paycheck protection program	1,205,759	-
Net Change in Cash	77,565,586	25,699
CASH		
Beginning of year	42,916,221	42,890,522
End of year	\$ 120,481,807	\$ 42,916,221

See notes to financial statements

Vital Strategies, Inc.

Notes to Financial Statements
December 31, 2020

1. Organization and Tax Status

Vital Strategies, Inc. (“Vital Strategies”) 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 maintains an office in New York City. Vital Strategies is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”). Vital Strategies is a public charity within the meaning of Section 509(a) of the Code.

The mission of Vital Strategies is to sustain partnerships with key international organizations, foundations and governments and implement and manage initiatives that will significantly improve and strengthen national and local health systems and organizations and, by doing so, improve the health conditions of individuals and communities throughout the world. 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.

Vital Strategies also maintains affiliations with three independent entities who use the *Vital Strategies* name and branding located in France, Singapore and Brazil. In 2020, the Vital Strategies Action Fund, Inc. (the “Action Fund”) was formed and shall be operated 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.

In addition, Vital Strategies operates a branch in Jinan, China, to assist in program implementation throughout China. In 2020, Vital Strategies opened a branch in Addis Ababa, Ethiopia, to assist in program implementation throughout Ethiopia.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying 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.

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. Based on strong collection experience, Vital Strategies has concluded that all revenue recognized is probable of collection.

Net Assets 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.

Vital Strategies, Inc.

Notes to Financial Statements
December 31, 2020

2. Summary of Significant Accounting Policies (continued)

Net Assets Presentation (continued)

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 statement of activities as net assets released from restrictions.

Short-term Investments

Vital Strategies invests a portion of its available cash in liquid investments with an average duration of a half year. Investments are reported at fair value as of December 31, 2020 and 2019 on the 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 and/or nature of any donor restrictions.

Grants receivable with due dates extending beyond one year are discounted using the U.S. Treasury rate, plus an appropriate percentage of additional risk. The applicable rates used at December 31, 2020 and 2019 ranged between 0.13% and 3.5%.

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, 2020 and 2019, Vital Strategies had an allowance for doubtful accounts of approximately \$1.9 million and \$0, respectively.

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.

Vital Strategies, Inc.

Notes to Financial Statements
December 31, 2020

2. Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

Under the terms of its agreement 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, 2020 and 2019 assets acquired with grant funds amounted to \$4,831 and \$30,343, respectively.

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, 2020 and 2019.

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 statement of financial position date. Revenue and expense accounts are translated at the average rate in effect during the year.

Summarized Comparative Information

The 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, 2019, from which summarized information was derived.

Accounting for Uncertainty in Income Taxes

Vital Strategies 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 had no uncertain tax positions that would require financial statement recognition or disclosure. Vital Strategies is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2017.

Vital Strategies, Inc.

Notes to Financial Statements
December 31, 2020

2. Summary of Significant Accounting Policies (continued)

Cash Held for Others

Vital Strategies is the custodian of the North America Region Charter of The Union funds, which are held in a designated bank account. The funds are not available for use by Vital Strategies, and as such, the cash is disclosed as both a contra-asset and contra-liability in the statement of financial position (see Note 11).

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which is June 24, 2021.

Reclassification

Certain information contained in the 2019 financial statements has been reclassified to conform with the 2020 presentation with no effect on operations.

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 statement of financial position date, are comprised of the following at December 31:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash	\$ 120,481,807	\$ 42,916,221
Grants receivable, net	44,856,164	93,201,536
Other receivables	175,711	90,392
Short-term investments	50,527,163	50,223,672
Total Financial Assets	<u>216,040,845</u>	<u>186,431,821</u>
Less amounts unavailable for general expenditure:		
Donor imposed restrictions by purpose	(210,375,104)	(183,145,439)
Board designated reserves	(3,500,000)	(2,000,000)
	<u>(213,875,104)</u>	<u>(185,145,439)</u>
Add amounts available for general expenditure:		
Budgeted appropriation and satisfaction of donor imposed restrictions	162,267,941	84,609,223
Indirect cost rate related to restricted programs	1,524,725	9,477,952
	<u>163,792,666</u>	<u>94,087,175</u>
Financial Assets at Year-End Available to Meet Cash Needs for General Expenditure Within One Year	<u>\$ 165,958,407</u>	<u>\$ 95,373,557</u>

Vital Strategies, Inc.

Notes to Financial Statements
December 31, 2020

3. Liquidity and Availability of Financial Assets *(continued)*

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 was awarded a grant, with multiple amendments made in following years, for the Tobacco Control Program by Bloomberg Philanthropies. In January 2019, Bloomberg Philanthropies renewed the grant for an additional two-year period with additional grant funds totaling \$36.8 million. In December 2020, Bloomberg Philanthropies renewed the grant for an additional two-year period with additional funds totaling \$39.5 million. As of December 31, 2020, total funding for the program since inception amounted to \$118.7 million.

In June 2017, Vital Strategies 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. Grants received for the initiative for the grant periods ended June 30, 2020 and 2019 totaled \$10 million each year.

In November 2018, Vital Strategies was awarded a four-year grant for the RESOLVE initiative by Gates Philanthropy Partners amounting to \$60 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. Grants received for the initiative for the grant periods ended June 30, 2020 and 2019 totaled \$15 million each year.

In 2017, Vital Strategies was awarded a grant for the Cardiovascular Health Initiative by the National Philanthropic Trust. In November 2019, the agreement was amended and extended through September 2021, for an additional \$33.3 million, increasing the total agreement to \$48.8 million.

In October 2018, Vital Strategies was awarded a three-year grant for the STOP Tobacco campaign by the Bloomberg Philanthropies amounting to \$3.7 million. In December 2019, the agreement was amended, and an additional \$2.5 million was granted, increasing the total agreement to \$6.2 million. In December 2020, the agreement was amended, and an additional \$2 million was granted, increasing the total agreement to \$8.2 million.

Vital Strategies, Inc.

Notes to Financial Statements
December 31, 2020

4. Significant Grant Agreements (continued)

In July 2018, Vital Strategies was awarded a two-year grant for the Opioid Overdose Prevention initiative by Bloomberg Philanthropies amounting to \$9.1 million. In October 2019, the agreement was amended and extended through September 2021, and an additional \$27.9 million was granted, increasing the total agreement to \$37 million.

In May 2019, Vital Strategies was awarded a two-year grant for the Partnership for Healthy Cities initiative by the National Philanthropic Trust totaling to \$11.3 million.

In July 2019, Vital Strategies was awarded a two-year grant for the Data for Health initiative by the National Philanthropic Trust totaling to \$34.5 million.

In July 2019, Vital Strategies was awarded a two-year grant for the Global Road Safety initiative by the Schwab Charitable Fund totaling to \$18.5 million.

In February 2020, Vital Strategies was awarded a two-year grant for the Obesity Prevention Program initiative by Bloomberg Philanthropies totaling to \$5.6 million.

In June and October 2020, Vital Strategies was awarded two grants totaling \$38 million for COVID research relating to the RESOLVE initiative by Fidelity Charitable.

5. Grants Receivable

Vital Strategies has the following grants receivable for which management determined that no allowance for doubtful accounts is required at December 31:

	<u>2020</u>	<u>2019</u>
Grants receivable		
Foundations	\$ 44,279,131	\$ 89,236,678
USAID	<u>2,619,681</u>	<u>4,022,562</u>
	46,898,812	93,259,240
Allowance for doubtful accounts	(1,939,073)	-
Discount to present value	<u>(103,575)</u>	<u>(57,704)</u>
	<u>\$ 44,856,164</u>	<u>\$ 93,201,536</u>

Collections on the outstanding grants (before discount to present value) at December 31, 2020 are scheduled to be received as follows:

2021	\$ 27,031,153
2022	18,948,900
2023	<u>918,759</u>
	<u>\$ 46,898,812</u>

Vital Strategies, Inc.

Notes to Financial Statements
December 31, 2020

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:

	2020		
	Level 1	Level 2	Total
Investments			
Money market fund	\$ 23,931	\$ -	\$ 23,931
Certificate of deposit	-	15,000,000	15,000,000
Commercial paper	-	14,546,834	14,546,834
Fixed income funds	-	20,956,398	20,956,398
	\$ 23,931	\$50,503,232	\$50,527,163
	2019		
	Level 1	Level 2	Total
Investments			
Money market fund	\$ 60,976	\$ -	\$ 60,976
US treasury bills	-	14,899,763	14,899,763
Government and agency bonds	-	399,632	399,632
Commercial paper	-	31,312,899	31,312,899
Fixed income funds	-	3,550,402	3,550,402
	\$ 60,976	\$50,162,696	\$50,223,672

7. Property and Equipment

Property and equipment consisted of the following at December 31:

	2020	2019
Equipment	\$ 1,204,594	\$ 1,194,060
Leasehold improvement	1,348,379	1,348,379
	2,552,973	2,542,439
Accumulated depreciation	(1,002,473)	(793,164)
	\$ 1,550,500	\$ 1,749,275

Vital Strategies, Inc.

Notes to Financial Statements December 31, 2020

8. Board Designated Reserves

In December 2019, the Vital Strategies Board of Trustees designated a portion of net assets without donor restrictions to ensure sustainability of operations, and to provide contingent liquidity in unforeseen circumstances. For the year ended December 31, 2020, the board decided to raise the reserve amount by \$1,500,000. These board designated net assets totaled \$3,500,000 and \$2,000,000 as of December 31, 2020 and 2019, respectively.

9. Net Assets with Donor Restrictions

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

	2020			
	Beginning of Year	Contributions and Interest Income	Released from Restrictions	End of Year
Tobacco Control Initiative	\$ 22,787,449	\$ 41,095,238	\$ (19,143,710)	\$ 44,738,977
Data For Health Initiative	25,374,866	20,024	(13,181,039)	12,213,851
Global Road Safety Initiative	19,886,113	199,190	(5,984,011)	14,101,292
STREAM Clinical Trials	2,293,552	5,224,747	(5,792,025)	1,726,274
Other Health Programs	1,434,983	774,982	(1,168,024)	1,041,941
Obesity Prevention Initiative	560,656	5,625,816	(2,343,247)	3,843,225
RESOLVE	63,076,981	107,715,006	(69,353,398)	101,438,589
Partnership for Healthy Cities Initiative	9,083,261	18,868	(5,367,075)	3,735,054
Mayors Challenge	1,353,256	351,873	(994,277)	710,852
Opioid Overdose Prevention	32,242,809	63,629	(11,327,164)	20,979,274
STOP Watchdog	5,051,513	2,021,128	(2,430,191)	4,642,450
Data Driven Health Policy	-	1,219,163	(15,838)	1,203,325
USAID	-	10,799,146	(10,799,146)	-
	<u>\$ 183,145,439</u>	<u>\$ 175,128,810</u>	<u>\$ (147,899,145)</u>	<u>\$ 210,375,104</u>

	2019				
	Beginning of Year	Contributions and Interest Income	Released from Restrictions	Adjustments to Grants Received *	End of Year
Tobacco Control Initiative	\$ 5,808,574	\$ 37,507,043	\$ (20,528,168)	\$ -	\$ 22,787,449
Data For Health Initiative	5,059,332	34,587,729	(14,272,195)	-	25,374,866
Global Road Safety Initiative	9,593,670	18,709,336	(8,416,893)	-	19,886,113
STREAM Clinical Trials	2,925,853	15,086,148	(15,718,449)	-	2,293,552
Other Health Programs	1,443,847	992,364	(1,001,228)	-	1,434,983
Obesity Prevention Initiative	1,535,239	850,774	(1,825,357)	-	560,656
RESOLVE	35,401,409	58,542,840	(30,867,268)	-	63,076,981
Partnership for Healthy Cities Initiative	1,939,603	11,320,980	(4,177,322)	-	9,083,261
Mayors Challenge	7,029,145	35,857	(2,972,746)	(2,739,000)	1,353,256
Opioid Overdose Prevention	8,418,737	27,974,874	(4,150,802)	-	32,242,809
STOP Watchdog	3,527,630	2,633,339	(1,109,456)	-	5,051,513
USAID	-	10,928,169	(10,928,169)	-	-
	<u>\$ 82,683,039</u>	<u>\$ 219,169,453</u>	<u>\$ (115,968,053)</u>	<u>\$ (2,739,000)</u>	<u>\$ 183,145,439</u>

Vital Strategies, Inc.

Notes to Financial Statements
December 31, 2020

9. Net Assets with Donor Restrictions (*continued*)

In 2017, Vital Strategies was awarded \$5,555,000 for the Mayor's Challenge program in Sao Paulo, Brazil by Bloomberg Philanthropies. During 2019, Bloomberg Philanthropies informed Vital Strategies that total funding for the program would be reduced to \$2,816,000. As a result of this amendment, during the year ended December 31, 2019, Vital Strategies recognized an adjustment to grants received of \$2,739,000 in the statement of activities. As of December 31, 2019, no additional funding is due from Bloomberg Philanthropies for this program.

Contributions reported with donor restrictions shown in the above tables are recognized in full in the year the grant agreement is signed and committed. Most of Vital Strategies' grant agreements are for 2-year terms which result in unconditional contributions with donor restriction varying year-to-year. For the years ended December 31, 2020 and 2019, unconditional contributions and interest income with donor restrictions totaled \$175,128,810 and \$219,169,453, respectively.

10. 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 rent commencement date is defined as seven months after the effective date whereby payments of fixed rent commence and are payable monthly at an initial rate of \$1,082,202 per annum. The 5th floor lease term began on June 1, 2018 ("commencement date") with an expiration date of October 28, 2033. The rent commencement date is defined as 150 days after the commencement date, whereby payments of fixed rent commence and are payable monthly, at an initial rate of \$1,051,992 per annum.

Rent expense for the above operating leases is calculated on a straight-line basis over the term of the respective leases. Rent expense for the lease agreements is \$2,121,609 for both the years ended December 31, 2020 and 2019, and is included within occupancy costs in the statement of functional expenses.

Future minimum obligations under the leases at December 31, 2020 are as follows:

2021	\$ 2,134,194
2022	2,134,194
2023	2,150,318
2024	2,286,188
2025	2,321,404
Thereafter	<u>7,200,950</u>
	<u>\$ 18,227,248</u>

Vital Strategies, Inc.

Notes to Financial Statements
December 31, 2020

11. Related Party Transactions

Vital Strategies partners with The Union, 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 and branch offices of The Union (including The Union’s Singapore branch, a separate entity to VS Singapore) 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. In addition, Vital Strategies is the custodian of NAR (the North America Region Charter of The Union) funds, which are held in a designated bank account. The balance of funds as of December 31, 2020 and 2019 is \$220,032 and \$266,982, respectively.

In connection with this cooperative effort, Vital Strategies and The Union provided funding for work related to charitable purposes. During 2020 and 2019, Vital Strategies provided \$14.8 million and \$13.3 million, respectively, to The Union in grant funding. The Union provided Vital Strategies with \$3.6 million and \$2.9 million in grant funding in 2020 and 2019, respectively.

As of December 31, 2020 and 2019, Vital Strategies held receivables due from The Union of \$5.6 million and \$12.6 million, respectively. Of these amounts, \$2.0 million and \$2.5 million, respectively, are included in grants receivable on the statement of financial position. These amounts are related to grant activities performed by Vital Strategies on behalf of The Union.

As of December 31, 2020 and 2019, Vital Strategies held payables due to The Union of \$2.1 million and \$6.9 million, respectively, which are included in due from The Union on the statement of financial position. These amounts are related to grant activities performed by The Union on behalf of Vital Strategies.

As of December 31, 2020 and 2019, Vital Strategies provided The Union with refundable advances of \$3.2 and \$3.0 million, respectively, which are included in due from The Union on the statement of financial position.

As of December 31, 2020 and 2019, The Union was due \$0 and \$488,100 from Vital Strategies. These funds were due to The Union, for payments made by The Union on behalf of Vital Strategies, which are included in due from The Union on the statement of financial position. These payments are made to sub-recipients in countries where payments cannot be made from the United States, but can be made from The Union.

In connection with this cooperative effort, Vital Strategies provided funding to The Union’s Singapore Field Office for work related to charitable purposes. During 2020 and 2019, Vital Strategies was provided \$5,335 and provided \$1,320,789, respectively, to The Union’s Singapore Field Office in grant funding.

Vital Strategies, Inc.

Notes to Financial Statements
December 31, 2020

11. Related Party Transactions *(continued)*

As of December 31, 2020 and 2019, Vital Strategies held grants payable to The Union's Singapore Field office of \$0 and \$308,876, respectively, and are in due from The Union on the statement of financial position. These are amounts owed to The Union's Singapore Field Office for grant activities performed for Vital Strategies.

During 2020, Vital Strategies provided The Union with a recoverable grant of \$2.4 million, which is included in due from The Union on the statement of financial position. The Union acknowledges and agrees that this grant will be repayable and restructured as a secured loan from Vital Strategies following approval and authorization by each Board and General Assembly of the Union of a secured borrowing from Vital Strategies (the "Secured Loan"). In the event the Boards and/or the General Assembly of the Union do not authorize the Secured Loan, this grant will be recoverable by Vital Strategies against future unrestricted grant proceeds and revenues received by or payable to or on behalf of the Union. As of December 31, 2020, Vital Strategies was due \$2.4 million from the Union.

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

As of December 31, 2020 and 2019, Vital Strategies held grants payable to VS Paris of \$41,251 and \$0, respectively, and are in grants payable on the statement of financial position.

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

	2020	
	Grant funding	Grant advances
VS Singapore	\$ 2,430,389	\$ 743,936
VS Brazil	1,098,523	307,931
VS Paris	1,086,930	-
The Action Fund	600	600
	\$ 4,616,442	\$ 1,052,467
	2019	
	Grant funding	Grant advances
VS Singapore	\$ 1,607,700	\$ 116,570
VS Brazil	1,062,185	39,000
VS Paris	412,889	84,082
	\$ 3,082,774	\$ 239,652

Vital Strategies, Inc.

Notes to Financial Statements
December 31, 2020

11. Related Party Transactions *(continued)*

The Union recently communicated to Vital Strategies that it is currently facing significant financial issues that could impact the collectability of receivables due from the Union to Vital Strategies. Vital Strategies management is in active discussions with the Union to understand and attempt to resolve this matter. In order to take the most conservative financial reporting position, management has elected to include a provision of \$1.9 million in grants receivable and \$7.1 million due from the Union on the 2020 statement of financial position (which amounts represents the total of all receivables due from the Union) in the event the Union defaults on its obligations. As a result of this provision, Vital Strategies is reporting an unrestricted net deficit of \$1,507,309 at December 31, 2020. Vital Strategies management recognizes the need to address this deficit and will continue to work with the Union in an effort to collect the amounts due and to eliminate the provision it is currently taking.

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, 2020 and 2019, two and five funding sources accounted for approximately 90% and 97% of grants receivable and five and seven funding sources accounted for approximately 89% and 96% of revenue and support, respectively.

13. Paycheck Protection Program Loan Payable

On May 4, 2020, Vital Strategies received loan proceeds in the amount of \$1,205,759 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times the 2019 average monthly payroll expenses of the qualifying entity. The PPP loan bears an interest rate of 1% per annum. All or a portion of the PPP loan principal and accrued interest is forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act as amended by the Economic Aid Act, over a period between eight to twenty-four weeks from the date the loan proceeds are received (the "Covered Period"). The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries below a certain threshold during the Covered Period and does not qualify for certain safe harbors. The unforgiven portion of the PPP loan, if any, is payable within two years from the date of the PPP loan with a deferral of payments of principal and interest until the amount of loan forgiveness is approved by the SBA.

Vital Strategies, Inc.

Notes to Financial Statements
December 31, 2020

13. Paycheck Protection Program Loan Payable (continued)

As of December 31, 2020, the PPP loan is recognized as debt on the statement of financial position. Vital Strategies will recognize the income from the forgiveness of the PPP loan when it receives the notification of forgiveness from SBA in accordance with Accounting Standards Codification (“ASC”) 470, Debt. On June 12, 2021, the PPP loan was subsequently forgiven in full by the SBA.

14. Coronavirus Pandemic

On March 11, 2020, the World Health Organization declared the Coronavirus outbreak a pandemic. While the duration of business interruption from this outbreak and related financial impact cannot be reasonably estimated at this time, financial results and foreign currency adjustments may be adversely affected in 2021. The extent to which the Coronavirus impacts operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of, and actions taken to contain, the Coronavirus or its impact, among others.

* * * * *

Vital Strategies, Inc.

Uniform Guidance Reports and Schedules

December 31, 2020

Vital Strategies, Inc.

Schedule of Expenditures of Federal Awards and Accompanying Notes Year Ended December 31, 2020

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Provided to Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>U.S. Agency for International Development</u>				
Direct award:				
USAID Foreign Assistance for Programs Overseas	98.001		\$ 7,028,559	\$ 10,799,146
Indirect award:				
Pass-through from JSI Research and Training Institute Inc.				
USAID Foreign Assistance for Programs Overseas	98.001	37710.002	-	29,595
Total U.S. Agency for International Development			<u>7,028,559</u>	<u>10,828,741</u>
Total Expenditures of Federal Awards			<u>\$ 7,028,559</u>	<u>\$ 10,828,741</u>

1. Basis of Presentation

The Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Vital Strategies, Inc., under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Vital Strategies, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Vital Strategies, Inc.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. Nonmonetary Assistance

Nonmonetary assistance is reported in the Schedule based on the amount disbursed or received. Vital Strategies, Inc. received no nonmonetary assistance for the year ended December 31, 2020.

4. Indirect Cost Rate

Vital Strategies, Inc. has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

See independent auditors' report

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditors' Report

Board of Trustees
Vital Strategies, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Vital Strategies, Inc., which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 24, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Vital Strategies, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Vital Strategies, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Vital Strategies, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vital Strategies, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

June 24, 2021



Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditors' Report

**Board of Trustees
Vital Strategies, Inc.**

Report on Compliance for Each Major Federal Program

We have audited Vital Strategies, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Vital Strategies, Inc.'s major federal programs for the year ended December 31, 2020. Vital Strategies, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Vital Strategies, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Vital Strategies, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Vital Strategies, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Vital Strategies, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of Vital Strategies, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Vital Strategies, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Vital Strategies, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PKF O'Connor Davies, LLP

June 24, 2021

Vital Strategies, Inc.

Schedule of Findings and Questioned Costs
Year Ended December 31, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP :

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

___ yes X no

Significant deficiency(ies) identified?

___ yes X none noted

Noncompliance material to financial statements noted?

___ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

___ yes X no

Significant deficiency(ies) identified?

___ yes X none reported

Type of auditors' report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

___ yes X no

Identification of major federal programs:

CFDA Number(s)
98.001

Name of Federal Program or Cluster
USAID Foreign Assistance for Programs Overseas

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

X yes ___ no

Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended December 31, 2020.

Section III – Federal Award Findings and Questioned Costs

During our audit, we noted no material instances of noncompliance and none of the costs reported in the federal financially assisted programs are questioned or recommended to be disallowed.

Section IV – Prior Year Findings

There were no prior year findings.