

PUBLIC HEALTH INSTITUTE

FINANCIAL STATEMENTS

December 31, 2022 and 2021

PUBLIC HEALTH INSTITUTE

FINANCIAL STATEMENTS
December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Public Health Institute
Oakland, California

Report on the Audit of the Financial Statements***Opinion***

We have audited the financial statements of Public Health Institute, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Public Health Institute as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

San Francisco, California
August 14, 2023

PUBLIC HEALTH INSTITUTE
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 72,127,397	\$ 51,117,649
Investments (Note 3)	6,802,259	3,782,595
Grants and contracts receivable, net of allowance for doubtful accounts of \$75,000 in 2022 and 2021	59,294,306	31,829,241
Prepaid expenses	1,914,114	412,495
Other assets	461,654	318,197
Total current assets	140,599,730	87,460,177
Non-current assets:		
Furniture, equipment and computer software, net of accumulated depreciation and amortization (Note 4)	692,277	984,615
Operating lease right-of-use asset	6,313,065	-
Total non-current assets	7,005,342	984,615
Total assets	\$ 147,605,072	\$ 88,444,792
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 20,864,184	\$ 9,206,943
Accrued salaries and related leave	17,999,284	16,335,907
Operating lease liability, current	2,526,233	-
Contract advances	50,602,842	13,095,564
Total current liabilities	91,992,543	38,638,414
Operating lease liability, non-current	4,146,750	-
Total liabilities	96,139,293	38,638,414
Net assets:		
Without donor restrictions:		
Undesignated	15,094,026	15,539,834
Designated (Note 5)	3,432,185	3,255,830
Total without donor restrictions	18,526,211	18,795,664
With donor restrictions (Note 6)	32,939,568	31,010,714
Total net assets	51,465,779	49,806,378
Total liabilities and net assets	\$ 147,605,072	\$ 88,444,792

See accompanying notes to financial statements.

PUBLIC HEALTH INSTITUTE
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the years ended December 31, 2022 and 2021

	2022			2021		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Support and revenue						
Grants and contracts (Notes 2 and 10)	\$ 228,311,111	\$ 26,037,647	\$ 254,348,758	\$ 175,904,653	\$ 66,431,894	\$ 242,336,547
Contributions	1,651,588		1,651,588	1,206,337	-	1,206,337
Investment income (loss), net	(596,653)		(596,653)	469,057	-	469,057
Net assets released from donor restrictions	<u>24,108,793</u>	<u>(24,108,793)</u>	<u>-</u>	<u>84,892,182</u>	<u>(84,892,182)</u>	<u>-</u>
Total support and revenue	<u>253,474,839</u>	<u>1,928,854</u>	<u>255,403,693</u>	<u>262,472,229</u>	<u>(18,460,288)</u>	<u>244,011,941</u>
Expenses						
Direct expenses:						
Salaries, wages and benefits (Note 9)	94,875,508	-	94,875,508	109,050,359	-	109,050,359
Professional services	31,838,002	-	31,838,002	25,084,234	-	25,084,234
Travel, training and professional development	3,960,603	-	3,960,603	1,545,912	-	1,545,912
Occupancy (Note 8)	1,609,355	-	1,609,355	2,815,377	-	2,815,377
Supplies	1,416,851	-	1,416,851	1,693,640	-	1,693,640
Publications and printing	159,454	-	159,454	101,065	-	101,065
Temporary help	-	-	-	41,199	-	41,199
Communications	1,250,694	-	1,250,694	1,510,572	-	1,510,572
Postage and delivery	613,644	-	613,644	521,715	-	521,715
Subcontracts and grants	88,198,000	-	88,198,000	87,548,562	-	87,548,562
Other	<u>502,634</u>	<u>-</u>	<u>502,634</u>	<u>440,918</u>	<u>-</u>	<u>440,918</u>
Total direct expenses	<u>224,424,745</u>	<u>-</u>	<u>224,424,745</u>	<u>230,353,553</u>	<u>-</u>	<u>230,353,553</u>
Indirect expenses:						
Allocated	28,353,393	-	28,353,393	22,683,129	-	22,683,129
Unallocated	<u>966,154</u>	<u>-</u>	<u>966,154</u>	<u>109,246</u>	<u>-</u>	<u>109,246</u>
Total indirect expenses	<u>29,319,547</u>	<u>-</u>	<u>29,319,547</u>	<u>22,792,375</u>	<u>-</u>	<u>22,792,375</u>
Total expenses	<u>253,744,292</u>	<u>-</u>	<u>253,744,292</u>	<u>253,145,928</u>	<u>-</u>	<u>253,145,928</u>
Change in net assets	(269,453)	1,928,854	1,659,401	9,326,301	(18,460,288)	(9,133,987)
Net assets at beginning of year	<u>18,795,664</u>	<u>31,010,714</u>	<u>49,806,378</u>	<u>9,469,363</u>	<u>49,471,002</u>	<u>58,940,365</u>
Net assets at end of year	<u>\$ 18,526,211</u>	<u>\$ 32,939,568</u>	<u>\$ 51,465,779</u>	<u>\$ 18,795,664</u>	<u>\$ 31,010,714</u>	<u>\$ 49,806,378</u>

See accompanying notes to financial statements.

PUBLIC HEALTH INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2022

	Program Services and Fundraising			Management and General			Total Expenses
	Program Services	Fundraising	Subtotal	PHI	ARG	Subtotal	
Salaries, wages and benefits	\$ 94,875,432	\$ 75	\$ 94,875,507	\$ 20,904,363	\$ 702,314	\$ 21,606,677	\$ 116,482,184
Professional services	31,838,002	-	31,838,002	2,531,318	69,915	2,601,233	34,439,235
Travel, training and professional development	3,960,604	-	3,960,604	255,758	-	255,758	4,216,362
Occupancy	1,609,355	-	1,609,355	1,385,232	315,464	1,700,696	3,310,051
Supplies	1,416,851	-	1,416,851	619,435	60,984	680,419	2,097,270
Publications and printing	159,454	-	159,454	185,558	10,534	196,092	355,546
Temporary help	-	-	-	43,047	-	43,047	43,047
Communications	1,248,974	1,720	1,250,694	295,696	21,719	317,415	1,568,109
Postage and delivery	613,644	-	613,644	15,422	945	16,367	630,011
Subcontracts and grants	88,198,000	-	88,198,000	-	-	-	88,198,000
Other	502,407	227	502,634	1,896,808	5,035	1,901,843	2,404,477
	<u>\$ 224,422,723</u>	<u>\$ 2,022</u>	<u>\$ 224,424,745</u>	<u>\$ 28,132,637</u>	<u>\$ 1,186,910</u>	<u>\$ 29,319,547</u>	<u>\$ 253,744,292</u>

See accompanying notes to financial statements.

PUBLIC HEALTH INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2021

	Program Services and Fundraising			Management and General			Total Expenses
	Program Services	Fundraising	Subtotal	PHI	ARG	Subtotal	
Salaries, wages and benefits	\$ 109,048,053	\$ 2,306	\$ 109,050,359	\$ 16,509,255	\$ 602,953	\$ 17,112,208	\$ 126,162,567
Professional services	25,084,234	-	25,084,234	1,021,015	89,895	1,110,910	26,195,144
Travel, training and professional development	1,545,912	-	1,545,912	174,261	115	174,376	1,720,288
Occupancy	2,815,377	-	2,815,377	666,056	251,850	917,906	3,733,283
Supplies	1,693,640	-	1,693,640	901,691	43,445	945,136	2,638,776
Publications and printing	101,065	-	101,065	100,522	29,051	129,573	230,638
Temporary help	41,199	-	41,199	128,709	-	128,709	169,908
Communications	1,509,180	1,392	1,510,572	229,596	28,182	257,778	1,768,350
Postage and delivery	521,715	-	521,715	10,498	568	11,066	532,781
Subcontracts and grants	87,548,562	-	87,548,562	-	-	-	87,548,562
Other	440,548	370	440,918	2,003,772	941	2,004,713	2,445,631
	<u>\$ 230,349,485</u>	<u>\$ 4,068</u>	<u>\$ 230,353,553</u>	<u>\$ 21,745,375</u>	<u>\$ 1,047,000</u>	<u>\$ 22,792,375</u>	<u>\$ 253,145,928</u>

See accompanying notes to financial statements.

PUBLIC HEALTH INSTITUTE
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,659,401	\$ (9,133,987)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	557,833	549,780
Unrealized loss (gain) on investments	519,987	(384,975)
Non-cash rent expense	359,918	-
(Increase) decrease in:		
Grants and contracts receivable	(27,465,065)	(6,175,405)
Prepaid expenses	(1,501,619)	1,067,854
Other assets	(143,457)	(192,466)
Increase (decrease) in:		
Accounts payable and accrued liabilities	11,657,241	(4,800,588)
Accrued salaries and related leave	1,663,377	3,790,222
Contract advances	<u>37,507,278</u>	<u>5,881,752</u>
Net cash provided by (used in) operating activities	<u>24,814,894</u>	<u>(9,397,813)</u>
Cash flows from investing activities		
Purchases of investments, net	(4,060,134)	(560,158)
Proceeds from sale or maturity of investments	520,483	520,483
Purchase of furniture, equipment and computer software	<u>(265,495)</u>	<u>-</u>
Net cash used in investing activities	<u>(3,805,146)</u>	<u>(39,675)</u>
Net change in cash and cash equivalents	21,009,748	(9,437,488)
Cash and cash equivalents at beginning of year	<u>51,117,649</u>	<u>60,555,137</u>
Cash and cash equivalents at end of year	<u>\$ 72,127,397</u>	<u>\$ 51,117,649</u>

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization: The Public Health Institute is a California nonprofit public benefit corporation organized and operated for charitable and scientific purposes under section 501(c)(3) of the Internal Revenue Code. The specific and primary purposes of the Public Health Institute and its subsidiaries (collectively, the Institute or PHI) are to improve the public's health in United States and globally through research, training and professional education, fiscal sponsorship and institutional support, consultation and technical assistance, information dissemination and policy analysis.

The Institute's mission is to generate and promote research, leadership and partnerships to build capacity for strong public health policy, programs, systems and practices. The Institute believes that health is a fundamental human right and just societies ensure equitable health outcomes for everyone. The Institute is guided by the following key principles:

- Accountability
- Leadership and creativity in individuals and institutions
- Cross-sector thinking
- Diverse partnerships throughout the world
- Innovation
- Data and evidence-based public health
- Focus on prevention

The Institute has adopted a strategic framework consisting of the following six overarching goals:

- Strengthen public health engagement and leadership
- Advance sustainable global health solutions
- Strengthen public health systems, services and research
- Advance policy to improve social determinants of health
- Diversify and strengthen funding base to ensure long-term impact
- Deliver operational excellence to the Institute's programs

The Alcohol Research Group ("ARG"), is a world renown program of the Institute which focuses on better understanding the public health implications of alcohol use patterns and associated problems. Additionally, it disseminates these findings, as well as trains future generations of public health researchers to become independent scientists in the field of alcohol studies.

Principles of Consolidation: The accompanying financial statements of the Institute include the accounts of the Public Health Institute and the Public Health Institute's controlled subsidiaries: PHI India Private Limited, a private limited company organized under the laws of India, and Instituto de Saude Publica do Brasil, a private association organized under the laws of Brazil. The Public Health Institute's controlled subsidiaries are operated exclusively for the purpose of carrying out projects that advance PHI's charitable and scientific purposes in the Republic of India and Brazil, respectively. All intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation: The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with generally accepted accounting principles in the United States of America (GAAP).

Cash and Cash Equivalents: The Institute considers all cash and other highly liquid investments with initial maturities of three months or less when purchased to be cash equivalents. This classification also includes money market accounts held by the Institute.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, the Institute maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

(Continued)

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

Investments: Investments are valued at fair value based upon quoted market prices, when available, or estimates of fair value, in the Statements of Financial Position and realized and unrealized gains and losses are recognized in the Statements of Activities in the year incurred.

Furniture, Equipment and Computer Software: Furniture, equipment and computer software in excess of \$5,000 are capitalized and stated at cost if purchased, or at fair value if donated.

Furniture, equipment and computer software are depreciated/amortized on a straight-line basis over the estimated useful lives of the related assets, generally five to seven years. The cost of maintenance and repairs is recorded as expenses when incurred.

Compensated Absences: The Institute's current policy is to allow employees to accrue up to a maximum of 640 hours of paid time off. As of December 31, 2022 and 2021, the liability for accrued compensated absences aggregated \$14,729,803 and \$13,419,122, respectively, and is included in accrued salaries and related leave in the accompanying Statements of Financial Position.

Net Asset Classification: The net assets are reported in two self-balancing groups as follows:

- *Net assets without donor restrictions* – This classification includes revenue and contributions received which have no donor-imposed restrictions. These net assets are available for the operation of the Institute and include both internally designated (Note 5) and undesignated resources.
- *Net assets with donor restrictions* – This classification includes revenue and contributions which are subject to donor-imposed stipulations that will be met by the actions of the Institute, and/or the passage of time. When a restriction ceases, the restricted net assets are reclassified to “net assets without donor restrictions” and reported in the Statements of Activities and Changes in Net Assets, as net assets released from restrictions.

Grants and Contracts: Grants and contracts, which are generally considered non-exchange transactions, are recognized as net assets with donor restrictions when they are deemed to have a purpose or time restricted contribution. Conditional promises to give, with a barrier and right of return, are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Grants received in excess of qualifying direct and indirect expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements. Contracts are recorded as revenue without donor restrictions when reimbursable costs have been incurred by the Institute. Contract funding received in advance of incurring the related expenses is recorded as a contract advance. Contract advances remain as a liability until such time as the qualifying direct or indirect expenses have been incurred.

The Institute receives funding under grants and contracts from the U.S. Government for direct and indirect program costs. This funding is subject to contractual conditions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are recorded as without donor restrictions income to the extent that related direct and indirect expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Grants and contracts receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the related agreements. Grants and contracts receivable approximate fair value.

The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the funder.

(Continued)

PUBLIC HEALTH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

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

Income Taxes: The Institute is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income and franchise taxes under Section 23701d of the California Revenue and Taxation Code, except to the extent of unrelated business taxable income as defined under Internal Revenue Code Sections 511 through 515. A provision for income taxes has not been recorded in the accompanying financial statements. The Institute is not a private foundation.

Uncertain Tax Positions: For the years ended December 31, 2022 and 2021, the Institute has documented its consideration of guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

The Federal Form 990, Return of Organization Exempt from Income Tax, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Tax positions taken related to the Institute's tax exempt status, unrelated business activities taxable income and deductibility of expenses and other miscellaneous tax positions have been reviewed, and management is of the opinion that material positions taken by the Institute would more likely than not be sustained by examination. Accordingly, the Institute has not recorded an income tax liability for uncertain tax benefits as of December 31, 2022 or 2021 nor does it expect there will be a material change in the twelve months following the year ended December 31, 2022. As of December 31, 2022, the Institute's tax years ended December 31, 2018 through December 31, 2022 remain subject to examination in the United States federal tax jurisdiction and the tax years ended December 31, 2017 through December 31, 2022, remain subject to examination in the California state tax jurisdiction.

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

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among program and supporting services benefited. Functional expenses are allocated based on hours incurred by the individuals assigned to the program and supporting services or by directly charging costs to a given function, where applicable. The Institute considers its services related to bettering the public health to encompass one program for purposes of functional expense allocation.

Recently Implemented Accounting Pronouncements: Effective January 1, 2022 Public Health Institute adopted Accounting Standards Update (ASU) No. 2016-02 (Topic 842), which was effective for nonprofits with annual reporting periods beginning after December 15, 2021. The ASU requires most leases to be recognized on the statement of financial position as lease assets and lease liabilities and will require both quantitative and qualitative disclosure regarding key information about leasing arrangements. Lessor accounting is largely unchanged. Public Health Institute elected the package of transition practical expedients, which among other things, does not require reassessment of lease classification. The adoption of ASU 2016-02 resulted in the recognition of approximately \$8,949,399 of lease liabilities with corresponding right-of-use assets for operating leases as of January 1, 2022.

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NOTE 2 – CONCENTRATION OF REVENUE

Approximately 71% and 50% of the Institute's total support and revenue for the years ending December 31, 2022 and 2021 was derived from various agencies of the U.S. government. Approximately 11% of the Institute's total support and revenue for the years ended December 31, 2022 and 2021, was received under a single cooperative agreement from the United States Agency for International Development. Approximately 11% and 8% of the Institute's total support and revenue for the years ended December 31, 2022 and 2021, respectively, was received under various awards from the National Institute of Health. Approximately 20% and 8% of the Institute's total support and revenue for the years ended December 31, 2022 and 2021, respectively, was received under various awards from the National Cancer Institute. Any interruption of these relationships (i.e. failure to renew grant agreements or withholding of funds) would require review of ongoing operations.

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments are carried at fair value; therefore, realized and unrealized gains and losses are reflected in the statement of activities in the year incurred.

The Institute discloses investments recorded at fair value into the “fair value hierarchy”, in accordance with GAAP. The categorization of a financial instrument within the fair value hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Institute's perceived risk of that instrument. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

- Level 1* Quoted prices are available in active markets for identical investments as of the reporting date. Level 1 investments generally include publicly traded equity and fixed income securities.
- Level 2* Pricing inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. There were no such investments held by the Institute as of December 31, 2022 and 2021.
- Level 3* Pricing inputs are generally unobservable for the assets or liabilities and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. The fair values are therefore determined using factors that involve judgment including private and comparable public companies, third party appraisals, discounted cash flow models, and fund manager estimates. There were no such investments held by the Institute as of December 31, 2022 and 2021.

Investments in equity securities and fixed income mutual funds are classified as Level 1 as they are traded on a public exchange. Investments recorded at cost include cash and money market funds. Investments recorded at cost are not required to be classified in one of the levels prescribed by the fair value hierarchy.

(Continued)

PUBLIC HEALTH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

At December 31, 2022 investments consisted of the following:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments, at fair value:				
Equity securities	\$ 4,301,814	\$ 4,301,814	\$ -	\$ -
Fixed income securities	<u>2,329,537</u>	<u>2,329,537</u>	<u>-</u>	<u>-</u>
	6,631,351	<u>\$ 6,631,351</u>	<u>\$ -</u>	<u>\$ -</u>
Investments, at cost:				
Cash and money market funds	<u>170,908</u>			
Total investments	<u>\$ 6,802,259</u>			

At December 31, 2021 investments consisted of the following:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments, at fair value:				
Equity securities	\$ 2,532,575	\$ 2,532,575	\$ -	\$ -
Fixed income securities	<u>1,174,349</u>	<u>1,174,349</u>	<u>-</u>	<u>-</u>
	3,706,924	<u>\$ 3,706,924</u>	<u>\$ -</u>	<u>\$ -</u>
Investments, at cost:				
Cash and money market funds	<u>75,671</u>			
Total investments	<u>\$ 3,782,595</u>			

Investment return consists of interest and dividend income, realized gains and losses, and unrealized gains and losses. Gains and losses on dispositions of investments, as included in the statements of activities, are determined on the specific-identification basis. Unrealized gains and losses from fair value fluctuations on investments are included in the statements of activities in the period such fluctuations occur. Investment and related fees include all external and direct internal investment expenses.

The following schedule summarizes the net investment return and its classification in the statement of activities for December 31:

	<u>2022</u>	<u>2021</u>
Ordinary dividends	\$ 119,217	\$ 62,805
Interest income	23,727	12,418
Realized gain (loss) on investments	(219,610)	8,859
Unrealized gain (loss) on investments	<u>(519,987)</u>	<u>384,975</u>
Investment gain (loss), net	<u>\$ (596,653)</u>	<u>\$ 469,057</u>

(Continued)

PUBLIC HEALTH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
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NOTE 4 – FURNITURE, EQUIPMENT AND COMPUTER SOFTWARE

Furniture, equipment and computer software consisted of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 4,047,499	\$ 4,015,427
Computer software	674,800	441,377
Total furniture, equipment and computer software	<u>4,722,299</u>	<u>4,456,804</u>
Less: Accumulated depreciation and amortization	<u>(4,030,022)</u>	<u>(3,472,189)</u>
Net furniture, equipment and computer software	<u>\$ 692,277</u>	<u>\$ 984,615</u>

Total depreciation and amortization expense for the years ended December 31, 2022 and 2021 was \$557,833 and \$549,780, respectively.

NOTE 5 – DESIGNATED NET ASSETS

Internally designated program funds totaled \$3,432,185 and \$3,255,830, as of December 31, 2022 and 2021, respectively, and were classified as designated net assets.

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NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2022 and 2021, net assets with donor restrictions consisted of funds set aside for specific programs, as stipulated by the following donors providing the restricted support:

	<u>2022</u>	<u>2021</u>
Silicon Valley Community Foundation	\$ 10,304,164	\$ 10,629,210
The California Endowment	3,051,247	1,920,481
Individual Donors	2,182,211	1,871,215
University Of California	2,129,568	662,552
Abbott Laboratories	2,120,613	298,606
Blue Shield Of California	2,004,488	1,490,844
Cigna Foundation	1,669,506	1,358,191
The Cummins Foundation	1,273,635	1,591,586
The California Wellness Foundation	1,036,669	1,139,543
Robert Wood Johnson Foundation	514,776	437,831
David And Lucile Packard Foundation	506,238	669,051
California Air Resources Board	492,822	827,840
Kresge Foundation	473,996	472,674
California Healthcare Foundation	340,976	-
Carestar Foundation	333,716	158,431
Stupski Foundation	330,678	-
Quadw Foundation	297,686	166,764
Gordon And Betty Moore Foundation	267,982	475,820
Conrad N. Hilton Foundation	221,068	950,317
Sergey Brin Family Foundation	174,436	203,235
ViiV Healthcare UK Limited	166,832	-
Shelby Cullom Davis Charitable Fund Inc.	164,672	-
Echidna Giving	159,721	124,674
East Bay Community Foundation	146,551	1,290,679
Abbott Fund	122,882	104,579
Archstone Foundation	121,025	-
Stanford Health Care	103,953	-
Foundation For Opioid Response Efforts	101,603	-
CDC Foundation	100,000	100,000
Kaiser Permanente	99,794	122,451
W.K. Kellogg Foundation	82,263	529,207
Others	<u>1,843,797</u>	<u>3,414,933</u>
 Total net assets with donor restrictions	 <u>\$ 32,939,568</u>	 <u>\$ 31,010,714</u>

(Continued)

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NOTE 7 – LINE OF CREDIT

The Institute has a renewable revolving bank line of credit for \$6,000,000, with a current expiration date of November 1, 2023. Amounts borrowed under this agreement for 2022 and 2021 bear interest equal to the Daily Simple Secured Overnight Financing Rate (SOFR) for any balances outstanding. The line is secured by the cash and accounts receivable of the Institute. As of December 31, 2022 and 2021, there were no outstanding borrowings on the line of credit. In addition, no amounts were borrowed from the revolving bank line of credit during the years ended December 31, 2022 or 2021.

NOTE 8 – LEASE COMMITMENTS

Public Health Institute leases facilities to provide office space for various program services. Public Health Institute has determined these contracts contain a lease as described in ASU No. 2016-02, Leases (Topic 842). The leases have various terms that extend through March 2027. Several of the leases have options to extend, but those options are not recognized as part of Public Health Institute's right-of-use assets and lease liabilities. Public Health Institute determined the discount rate for these leases using their risk-free rate, which is based on the Daily Treasury Par Yield Curve Rates as provided by the U.S. Department of the Treasury. Discount rates used range from 0.40% to 2.47%. Public Health Institute recognized \$2,977,917 in rent expense during the year which included short-term leases of less than 12 months in duration. Of this amount \$2,583,084 related to operating leases costs associated with leases greater than 12 months.

Future minimum lease payments under operating leases with remaining terms in excess of one year as of December 31, 2022 are as follows:

Year Ending <u>December 31,</u>	
2023	\$ 2,526,233
2024	2,215,018
2025	1,242,050
2026	722,715
2027	<u>24,067</u>
	6,730,083
Less effect of discounting	<u>(57,100)</u>
Lease liability recognized	<u>\$ 6,672,983</u>

Other Information as of December 31:

	<u>2022</u>
Weighted-average remaining lease term - operating leases	2.77
Weighted-average discount rate - operating leases	1.21%

Rent expense under all operating leases totaled \$3,343,911 for the year ended December 31, 2021.

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NOTE 9 – TAX DEFERRED RETIREMENT PLAN

The Public Health Institute offers participation in a tax deferred retirement plan. All regular full-time and part-time employees who work a minimum of 20 hours per week are eligible to make salary deferral contributions to the Plan and are eligible to receive employer contributions beginning on the first day of the month following six consecutive months of employment. The Institute contributes 10% of gross wages to the retirement plan. An employee's minimum contribution is \$25 per month. The maximum combined contributions are determined by limits set under Federal law.

During the years ended December 31, 2022 and 2021, the Institute contributed \$7,573,812 and \$6,981,470, respectively, to the tax-sheltered annuity plan. The aforementioned contributions are fully vested and are administered by the Teachers Insurance and Annuity Association of America (TIAA).

NOTE 10 – CONTINGENCIES

The Institute receives assistance from various agencies of the United States Government; such awards are subject to audit under the provisions of Uniform Guidance. The ultimate determination of amounts received under United States Government awards is based upon the allowance of costs reported to and accepted by the United States Government. There exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material contingent liability exists at December 31, 2022.

NOTE 11 – SUBSEQUENT EVENTS

In preparing these financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through August 14, 2023, the date the financial statements were available to be issued.

NOTE 12 - LIQUIDITY AND AVAILABILITY

The Institute's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 72,127,397	\$ 51,117,649
Investments	6,802,259	3,782,595
Grants and contracts receivable, net of allowance for doubtful accounts	<u>59,294,306</u>	<u>31,829,241</u>
	<u>138,223,962</u>	<u>86,729,485</u>
Less amounts not available for general expenditure within one year:		
Net assets with donor restrictions	(32,939,568)	(31,010,714)
Board-designated net assets	<u>(3,432,185)</u>	<u>(3,255,830)</u>
	<u>(36,371,753)</u>	<u>(34,266,544)</u>
	<u>\$ 101,852,209</u>	<u>\$ 52,462,941</u>

(Continued)

NOTE 12 - LIQUIDITY AND AVAILABILITY (Continued)

The Institute has a liquidity management policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. None of the financial assets above are subject to donor or other contractual restrictions which would make them unavailable for general expenditure, within one year of the balance sheet date. The Institute also maintains a line of credit for \$6,000,000 which can be drawn upon should a need for additional liquidity arise. See additional information in Note 7.