

**Vital Strategies, Inc. and Affiliate**

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

December 31, 2021

## **Vital Strategies, Inc. and Affiliate**

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

December 31, 2021

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## **Independent Auditors' Report**

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

### **Report on the Audit of the Consolidated Financial Statements**

#### **Opinion**

We have audited the accompanying consolidated financial statements of Vital Strategies, Inc. and Affiliate ("Vital Strategies"), which comprise the consolidated statement of financial position as of December 31, 2021 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Vital Strategies and Affiliate as of December 31, 2021, and the consolidated changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Vital Strategies and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Only the financial statements of Vital Strategies, Inc. were audited in accordance with *Government Auditing Standards*.

#### **Responsibilities of Management for the Consolidated Financial Statements**

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

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

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

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

### **Other Matters**

#### **Report on Summarized Comparative Information**

We have previously audited Vital Strategies, Inc.'s December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 24, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules of financial position and activities on pages 20 – 21 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards on page 22 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 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects in relation to the consolidated financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2022 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 16, 2022

## Vital Strategies, Inc. and Affiliate

### Consolidated Statement of Financial Position December 31, 2021 (with comparative amounts at December 31, 2020)

	2021	2020
<b>ASSETS</b>		
Cash	\$ 68,987,988	\$ 120,481,807
Cash held for others	-	220,032
Grants receivable, net (Note 5)	67,437,745	44,856,164
Other receivables	195,651	175,711
Grant advances (Note 11)	1,799,275	1,052,467
Prepaid expenses	1,000,366	840,210
Due from the Union, net (Note 12)	760,000	-
Short-term investments (Note 6)	35,533,255	50,527,163
Property and equipment, net (Note 7)	1,382,465	1,550,500
	\$ 177,096,745	\$ 219,704,054
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 9,897,212	\$ 4,301,971
Cash held for others	-	220,032
Grants payable	8,045,854	1,040,977
Deferred rent	1,021,523	1,034,109
Deferred revenue	217,840	3,033,411
Paycheck protection program loan payable	-	1,205,759
Total Liabilities	19,182,429	10,836,259
<b>Net Assets</b>		
Without donor restrictions (Note 8)	(523,645)	(1,507,309)
With donor restrictions (Note 9)	158,437,961	210,375,104
Total Net Assets	157,914,316	208,867,795
	\$ 177,096,745	\$ 219,704,054

See notes to consolidated financial statements

## Vital Strategies, Inc. and Affiliate

### Consolidated Statement of Activities Year Ended December 31, 2021 (with summarized totals for the year ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
<b>REVENUE AND SUPPORT</b>				
Grants	\$ 113,330	\$ 98,042,616	\$ 98,155,946	\$ 123,915,701
Federal grants	-	3,334,701	3,334,701	10,828,741
Contributions	4,416,385	42,936	4,459,321	44,014,140
Fees for service	2,815,571	-	2,815,571	1,963,344
Interest income	18,686	335,681	354,367	491,764
Investment income	7,306	-	7,306	202,038
Other income	1,645	-	1,645	-
Net assets released from restrictions	153,693,077	(153,693,077)	-	-
Total Revenue and Support	161,066,000	(51,937,143)	109,128,857	181,415,728
<b>OPERATING EXPENSES</b>				
Program Services				
Research assistance	9,538,321	-	9,538,321	13,862,441
Public health	134,776,879	-	134,776,879	126,990,171
Total Program Services	144,315,200	-	144,315,200	140,852,612
Management and general	17,833,186	-	17,833,186	17,134,207
Fundraising	1,363,060	-	1,363,060	1,181,055
Total Operating Expenses	163,511,446	-	163,511,446	159,167,874
Excess (Deficit) of Revenue and Support over Operating Expenses	(2,445,446)	(51,937,143)	(54,382,589)	22,247,854
<b>NONOPERATING ACTIVITIES</b>				
Losses on foreign currency translation	(184,723)	-	(184,723)	(123,933)
Grants rescinded	7,208,074	-	7,208,074	-
Forgiveness of Due from the Union	(4,800,000)	-	(4,800,000)	-
Forgiveness of paycheck protection program loan	1,205,759	-	1,205,759	-
Change in Net Assets	983,664	(51,937,143)	(50,953,479)	22,123,921
<b>NET ASSETS</b>				
Beginning of year	(1,507,309)	210,375,104	208,867,795	186,743,874
End of year	\$ (523,645)	\$ 158,437,961	\$ 157,914,316	\$ 208,867,795

See notes to consolidated financial statements

## Vital Strategies, Inc. and Affiliate

### Consolidated Statement of Functional Expenses Year Ended December 31, 2021 (with summarized totals for the year ended December 31, 2020)

	Program Services			Supporting Services		2021 Total	2020 Total
	Research Assistance	Public Health	Total Program Services	Management and General	Fundraising		
Grant expenses	\$ 7,720,224	\$ 69,062,817	\$ 76,783,041	\$ 3,262,940	\$ -	\$ 80,045,981	\$ 74,357,471
Salaries	827,083	25,134,151	25,961,234	7,840,556	983,375	34,785,165	27,020,480
Payroll taxes and benefits	174,552	6,359,600	6,534,152	1,976,720	254,793	8,765,665	6,915,564
Consultants	408,869	19,790,915	20,199,784	1,413,350	58,283	21,671,417	23,920,289
Training and recruitment	2,603	127,882	130,485	37,420	1,289	169,194	183,992
Professional fees	91,469	199,366	290,835	302,509	-	593,344	403,296
Program service agreements	6,858	9,253,518	9,260,376	46,077	-	9,306,453	8,125,222
Other professional services	12,102	718,635	730,737	1,392,410	4,378	2,127,525	1,725,936
Travel	257	914,579	914,836	69,833	-	984,669	961,212
Equipment	63,658	634,357	698,015	282,524	1,632	982,171	1,918,157
Maintenance	4,020	56,678	60,698	113,403	1,030	175,131	185,356
Supplies	49	83,942	83,991	65,010	-	149,001	158,727
Depreciation	-	15,789	15,789	205,657	-	221,446	209,309
Occupancy costs	111,864	1,819,633	1,931,497	480,468	52,348	2,464,313	2,534,201
Postage and delivery	3,064	18,824	21,888	11,990	-	33,878	33,132
Insurance	88,635	17,248	105,883	243,970	-	349,853	289,779
Utilities	10,993	191,423	202,416	90,572	5,863	298,851	246,707
Conference and meetings	593	67,315	67,908	12,654	-	80,562	46,214
Provision for non-reimbursable expenses	-	-	-	492,211	-	492,211	611,598
(Recovery) provision for bad debts	-	-	-	(588,360)	-	(588,360)	9,027,432
Other expenses	11,428	310,207	321,635	81,272	69	402,976	293,800
<b>Total Expenses</b>	<b><u>\$ 9,538,321</u></b>	<b><u>\$ 134,776,879</u></b>	<b><u>\$ 144,315,200</u></b>	<b><u>\$ 17,833,186</u></b>	<b><u>\$ 1,363,060</u></b>	<b><u>\$ 163,511,446</u></b>	<b><u>\$ 159,167,874</u></b>

See notes to consolidated financial statements



## Vital Strategies, Inc. and Affiliate

### Consolidated Statement of Cash Flows Year Ended December 31, 2021 (with comparative amounts for the year ended December 31, 2020)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (50,953,479)	\$ 22,123,921
Adjustments to reconcile change in net assets to net cash from operating activities		
Net realized and unrealized gains	(7,306)	(202,038)
Depreciation	221,446	209,309
(Recovery) provision for bad debts	(588,360)	9,027,432
Deferred rent	(12,586)	(12,585)
Forgiveness of due from the Union	4,800,000	-
Forgiveness of paycheck protection program loan	(1,205,759)	-
Discount on grants receivable	(103,575)	45,871
Change in operating assets and liabilities		
Grants receivable	(21,889,646)	46,360,428
Other receivables	(19,940)	(85,319)
Grant advances	(746,808)	(812,815)
Prepaid expenses	(160,156)	(375,463)
Due from the Union	(5,560,000)	(1,669,480)
Accounts payable and accrued expenses	5,595,241	1,587,398
Grants payable	7,004,877	(2,758,256)
Deferred revenue	(2,815,571)	3,033,411
Net Cash from Operating Activities	(66,441,622)	76,471,814
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(53,411)	(10,534)
Purchases of short-term investments	(104,521,409)	(111,551,405)
Sales of short-term investments	119,522,623	111,449,952
Net Cash from Investing Activities	14,947,803	(111,987)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from paycheck protection program	-	1,205,759
Net Change in Cash	(51,493,819)	77,565,586
 <b>CASH</b>		
Beginning of year	120,481,807	42,916,221
End of year	\$ 68,987,988	\$ 120,481,807
 <b>NON-CASH FINANCING ACTIVITY</b>		
Forgiveness of paycheck protection program loan	\$ 1,205,759	\$ -

See notes to consolidated financial statements

## Vital Strategies, Inc. and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2021

### 1. Organization and Tax Status

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

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

The mission of Vital Strategies, Inc. 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.

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

Vital Strategies, Inc. also maintains affiliations with three independent entities who use the *Vital Strategies* name and branding located in France, Singapore and Brazil. 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, Inc.

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

### 2. Summary of Significant Accounting Policies

#### ***Basis of Consolidation***

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

#### ***Basis of Presentation and Use of Estimates***

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

## **Vital Strategies, Inc. and Affiliate**

Notes to Consolidated Financial Statements  
December 31, 2021

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

#### ***Operating Measure***

The operating measure in the consolidated statement of activities is identified as excess (deficit) of revenue and support over operating expenses. Changes in net assets which are excluded from the operating measure include losses on foreign currency translation, grants rescinded, forgiveness of due from the Union and forgiveness of paycheck protection program loan.

#### ***Revenue Recognition***

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

#### ***Net Asset Presentation***

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

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

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

#### ***Short-term Investments***

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

#### ***Grant Agreements and Contributions***

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

Grants receivable with due dates extending beyond one year are discounted using the U.S. Treasury rate, plus an appropriate percentage of additional risk. At December 31, 2021, grants receivable are expected to be collected within one year. The applicable rates used at December 31, 2020 ranged between 0.13% and 3.5%.

## **Vital Strategies, Inc. and Affiliate**

Notes to Consolidated Financial Statements  
December 31, 2021

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

#### ***Grant Agreements and Contributions (continued)***

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, 2021 and 2020, Vital Strategies had an allowance for doubtful accounts of approximately \$0 and \$1.9 million, 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.

Under the terms of its agreements with government funding agencies, assets that are acquired with government contract revenues that revert to that agency upon termination of the program are not capitalized and are expensed when acquired. During the years ended December 31, 2021 and 2020 assets acquired with grant funds amounted to \$0 and \$4,831, 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, 2021 and 2020.

#### ***Functional Allocation of Expenses***

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

#### ***Foreign Currency Translation***

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

## **Vital Strategies, Inc. and Affiliate**

Notes to Consolidated Financial Statements  
December 31, 2021

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

#### ***Summarized Comparative Information***

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with Vital Strategies' financial statements as of and for the year ended December 31, 2020, from which summarized information was derived.

#### ***Accounting for Uncertainty in Income Taxes***

Vital Strategies, Inc. recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that Vital Strategies, Inc. had no uncertain tax positions that would require financial statement recognition or disclosure. Vital Strategies, Inc. is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2018.

Vital Strategies India Services PL is subject to income tax under the Indian Tax Act, 1961. Such amounts were immaterial for the year ended December 31, 2021.

#### ***Cash Held for Others***

Vital Strategies, Inc. was the custodian of the North America Region Charter of The Union funds, which were held in a designated bank account. The funds were not available for use by Vital Strategies, Inc., and as such, the cash was disclosed as both a contra-asset and contra-liability in the consolidated statement of financial position as of December 31, 2020. The balance of funds as of December 31, 2021 and 2020 is \$0 and \$220,032, respectively.

#### ***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the consolidated financial statements through the date that the consolidated financial statements were available to be issued, which is June 16, 2022.

## Vital Strategies, Inc. and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2021

### 3. Liquidity and Availability of Financial Assets

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

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash	\$ 68,987,988	\$ 120,481,807
Grants receivable, net	67,437,745	44,856,164
Other receivables	195,651	175,711
Short-term investments	35,533,255	50,527,163
Total Financial Assets	<u>172,154,639</u>	<u>216,040,845</u>
Less amounts unavailable for general expenditure:		
Donor imposed restrictions by purpose	(158,437,961)	(210,375,104)
Board designated reserves	-	(3,500,000)
	<u>(158,437,961)</u>	<u>(213,875,104)</u>
Add amounts available for general expenditure:		
Budgeted appropriation and satisfaction of donor imposed restrictions	87,517,681	162,267,941
Indirect cost rate related to restricted programs	6,005,932	1,524,725
	<u>93,523,613</u>	<u>163,792,666</u>
Financial Assets at Year-End Available to Meet Cash Needs for General Expenditure Within One Year	<u>\$ 107,240,291</u>	<u>\$ 165,958,407</u>

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

### 4. Significant Grant Agreements

In 2017, Vital Strategies, Inc. was awarded a grant, with multiple amendments made in following years, for the Tobacco Control Program by Bloomberg Philanthropies. In 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, 2021, total funding for the program since inception amounted to \$118.7 million.

## Vital Strategies, Inc. and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2021

### 4. Significant Grant Agreements (*continued*)

In June 2017, Vital Strategies, Inc. was awarded a five-year grant for the RESOLVE initiative by the Bill & Melinda Gates Foundation amounting to \$50 million, payable in equal installments. As the grant has annual conditions attached, the grant was not recognized in full as an unconditional promise to give. During the years ended December 31, 2021 and 2020, Vital Strategies, Inc. received \$10 million each year towards this grant initiative.

In November 2018, Vital Strategies, Inc. 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. During the years ended December 31, 2021 and 2020, Vital Strategies, Inc. received \$0 and \$15 million, respectively, towards this grant initiative.

In October 2018, Vital Strategies, Inc. 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. In December 2021, the agreement was amended, and an additional \$2.4 million was granted, increasing the total agreement to \$10.6 million.

In July 2018, Vital Strategies, Inc. 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 December 2021, the agreement was amended and extended through September 2022, and an additional \$11.9 million was granted, increasing the total agreement to \$48.9 million.

In February 2021, Vital Strategies, Inc. was awarded a two-year grant for the Partnership for Healthy Cities initiative by the National Philanthropic Trust totaling to \$11.2 million.

In February 2021, Vital Strategies, Inc. was awarded a two-year grant for the Data for Health initiative by the National Philanthropic Trust totaling to \$36.4 million.

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

In December 2021, Vital Strategies, Inc. was awarded a grant for the Cardiovascular Health Initiative by Bloomberg Philanthropies amounting to \$9.3 million.

## Vital Strategies, Inc. and Affiliate

### Notes to Consolidated Financial Statements December 31, 2021

#### 5. Grants Receivable

Vital Strategies has the following grants receivable at December 31:

	2021	2020
Grants receivable		
Foundations	\$ 63,000,317	\$ 44,279,131
The International Union Against Tuberculosis and Lung Disease	4,437,428	-
USAID	-	2,619,681
	67,437,745	46,898,812
Allowance for doubtful accounts	-	(1,939,073)
Discount to present value	-	(103,575)
	\$ 67,437,745	\$ 44,856,164

Management believes the outstanding grants at December 31, 2021 are fully collectible and will be received in 2022.

#### 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:

	2021		
	Level 1	Level 2	Total
Investments			
Money market fund	\$ 12,004	\$ -	\$ 12,004
Commercial paper	-	21,224,860	21,224,860
Fixed income funds	-	14,296,391	14,296,391
	\$ 12,004	\$ 35,521,251	\$ 35,533,255
	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



## Vital Strategies, Inc. and Affiliate

### Notes to Consolidated Financial Statements December 31, 2021

#### 7. Property and Equipment

Property and equipment consisted of the following at December 31:

	2021	2020
Equipment	\$ 1,258,005	\$ 1,204,594
Leasehold improvement	1,348,379	1,348,379
	2,606,384	2,552,973
Accumulated depreciation	(1,223,919)	(1,002,473)
	\$ 1,382,465	\$ 1,550,500

#### 8. Board Designated Reserves

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. These board designated net assets totaled \$0 and \$3,500,000 as of December 31, 2021 and 2020, respectively.

#### 9. Net Assets with Donor Restrictions

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

	2021			
	Beginning of Year	Contributions and Interest Income	Released from Restrictions	End of Year
Tobacco Control Initiative	\$ 44,738,977	\$ 555,142	\$ (17,114,847)	\$ 28,179,272
Data For Health Initiative	12,213,851	36,473,933	(17,810,326)	30,877,458
Global Road Safety Initiative	14,101,292	68,187	(7,454,772)	6,714,707
STREAM Clinical Trials	1,726,274	8,515,510	(8,522,541)	1,719,243
Other Health Programs	1,041,941	1,381,171	(1,541,701)	881,411
Obesity Prevention Initiative	3,843,225	5,796	(2,556,528)	1,292,493
RESOLVE	101,438,589	23,257,932	(69,233,544)	55,462,977
Partnership for Healthy Cities Initiative	3,735,054	12,116,314	(5,569,675)	10,281,693
Mayors Challenge	710,852	7,441	(688,465)	29,828
Opioid Overdose Prevention	20,979,274	12,527,438	(15,193,583)	18,313,129
STOP Watchdog	4,642,450	2,365,494	(4,049,211)	2,958,733
Data Driven Health Policy	1,203,325	1,217,492	(693,800)	1,727,017
USAID	-	3,264,084	(3,264,084)	-
	\$ 210,375,104	\$ 101,755,934	\$ (153,693,077)	\$ 158,437,961

## Vital Strategies, Inc. and Affiliate

### Notes to Consolidated Financial Statements December 31, 2021

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

	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>

Contributions reported with donor restrictions shown in the above tables are recognized in full in the year the grant agreement is signed and committed provided all conditions have been met. 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, 2021 and 2020, unconditional contributions and interest income with donor restrictions totaled \$101,755,934 and \$175,128,810, respectively.

#### 10. Commitments

##### *Operating Leases*

On October 6, 2017, Vital Strategies entered into new lease agreements for two floors of leasable space. The 4<sup>th</sup> floor lease term began on October 15, 2018 (“effective date”) with an expiration date of May 14, 2034. The 5<sup>th</sup> floor lease term began on June 1, 2018 with an expiration date of October 28, 2033.

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, 2021 and 2020, and is included within occupancy costs in the consolidated statement of functional expenses.

Future minimum obligations under the leases at December 31, 2021 are as follows:

2022	\$ 2,134,194
2023	2,150,318
2024	2,286,188
2025	2,321,404
2026	2,321,404
Thereafter	4,879,546
	<u>\$ 16,093,054</u>

## Vital Strategies, Inc. and Affiliate

Notes to Consolidated Financial Statements  
December 31, 2021

### 11. Related Party Transactions

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

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

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

	2021	
	Grant Funding	Grant Advances
VS Singapore	\$ 3,948,902	\$ 674,424
VS Brazil	2,174,494	322,209
VS Paris	2,640,823	796,764
The Action Fund	-	5,878
	\$ 8,764,219	\$ 1,799,275
	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

As of December 31, 2021 and 2020, Vital Strategies held grants payable from VS Paris of \$0 and \$41,251, respectively, and are included in grants payable on the consolidated statement of financial position.

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

Through October 2020, Vital Strategies, Inc. and the Union shared the same President. For the year ended December 31, 2020, Vital Strategies, Inc. recognized revenue from the Union of \$3.6 million and incurred expenses to the Union of \$14.8 million.

## **Vital Strategies, Inc. and Affiliate**

Notes to Consolidated Financial Statements  
December 31, 2021

### **12. Due From the Union**

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

In 2021, the Union communicated to Vital Strategies that it is facing significant financial issues that could impact the collectability of receivables due from the Union to Vital Strategies. Vital Strategies management held discussions with the Union to understand and attempt to resolve this matter. To take the most conservative financial reporting position, management 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 represent the total of all receivables due from the Union) in the event the Union were to default on its obligations.

In November 2021, a memorandum of understanding (“MOU”) was executed between Vital Strategies and the Union. This MOU resulted in a gross amount due from the Union of \$12.1 million over a ten year period. Included in this gross amount are rescinded grants of approximately \$7.2 million which is reported as nonoperating activity on the 2021 consolidated statement of activities. At December 31, 2021, the grants receivable of \$1.9 million was fully written off and the \$7.1 million provision due from the Union was reduced to \$6.5 million, which resulted in a bad debt recovery of \$0.6 million reported on the 2021 consolidated statement of functional expenses. Furthermore, Vital Strategies forgave \$4.8 million, reducing the net amount due from the Union to approximately \$0.8 million. The additional forgiveness is reported as nonoperating activity on the 2021 consolidated statement of activities.

### **13. 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, 2021 and 2020, one and two funding sources accounted for approximately 90% of grants receivable and two and five funding sources accounted for approximately 79% and 89% of revenue and support, respectively.

## **Vital Strategies, Inc. and Affiliate**

Notes to Consolidated Financial Statements  
December 31, 2021

### **14. 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.

As of December 31, 2020, the PPP loan is recognized as debt on the statement of financial position. The PPP loan was forgiven in full by the SBA on June 12, 2021 and is reported as forgiveness of PPP loan on the 2021 consolidated statement of activities.

### **15. 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 2022. 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. and Affiliate**

Supplementary Information

December 31, 2021

## Vital Strategies, Inc. and Affiliate

### Consolidating Statement of Financial Position December 31, 2021

	<u>Vital Strategies, Inc.</u>	<u>Vital Strategies India Services PL</u>	<u>Total</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>ASSETS</b>					
Cash	\$ 68,906,476	\$ 81,512	\$ 68,987,988	\$ -	\$ 68,987,988
Grants receivable, net	67,437,745	-	67,437,745	-	67,437,745
Other receivables	195,651	386,823	582,474	(386,823)	195,651
Grant advances	1,799,275	-	1,799,275	-	1,799,275
Prepaid expenses	965,061	35,305	1,000,366	-	1,000,366
Due from the Union, net	760,000	-	760,000	-	760,000
Short-term investments	35,533,255	-	35,533,255	-	35,533,255
Investment in affiliate	110,331	-	110,331	(110,331)	-
Property and equipment, net	<u>1,375,057</u>	<u>7,408</u>	<u>1,382,465</u>	<u>-</u>	<u>1,382,465</u>
	<u>\$ 177,082,851</u>	<u>\$ 511,048</u>	<u>\$ 177,593,899</u>	<u>\$ (497,154)</u>	<u>\$ 177,096,745</u>
<b>LIABILITIES AND NET ASSETS</b>					
Liabilities					
Accounts payable and accrued expenses	\$ 9,883,318	\$ 81,448	\$ 9,964,766	\$ (67,554)	\$ 9,897,212
Grants payable	8,045,854	-	8,045,854	-	8,045,854
Deferred rent	1,021,523	-	1,021,523	-	1,021,523
Deferred revenue	<u>217,840</u>	<u>319,269</u>	<u>537,109</u>	<u>(319,269)</u>	<u>217,840</u>
Total Liabilities	<u>19,168,535</u>	<u>400,717</u>	<u>19,569,252</u>	<u>(386,823)</u>	<u>19,182,429</u>
Net Assets					
Without donor restrictions	(523,645)	110,331	(413,314)	(110,331)	(523,645)
With donor restrictions	<u>158,437,961</u>	<u>-</u>	<u>158,437,961</u>	<u>-</u>	<u>158,437,961</u>
Total Net Assets	<u>157,914,316</u>	<u>110,331</u>	<u>158,024,647</u>	<u>(110,331)</u>	<u>157,914,316</u>
	<u>\$ 177,082,851</u>	<u>\$ 511,048</u>	<u>\$ 177,593,899</u>	<u>\$ (497,154)</u>	<u>\$ 177,096,745</u>

See independent auditors' report

## Vital Strategies, Inc. and Affiliate

### Consolidating Statement of Activities Year Ended December 31, 2021

	Without Donor Restrictions			With Donor Restrictions		
	Vital Strategies, Inc.	Vital Strategies India Services PL	Eliminations	Total	Vital Strategies, Inc.	Total
<b>REVENUE AND SUPPORT</b>						
Grants	\$ 113,330	\$ -	\$ -	\$ 113,330	\$ 98,042,616	\$ 98,155,946
Federal grants	-	-	-	-	3,334,701	3,334,701
Contributions	4,416,385	-	-	4,416,385	42,936	4,459,321
Fees for service	2,815,571	1,199,650	(1,199,650)	2,815,571	-	2,815,571
Interest income	18,686	-	-	18,686	335,681	354,367
Investment income	7,306	-	-	7,306	-	7,306
Other income	1,645	-	-	1,645	-	1,645
Net assets released from restrictions	153,693,077	-	-	153,693,077	(153,693,077)	-
<b>Total Revenue and Support</b>	<b>161,066,000</b>	<b>1,199,650</b>	<b>(1,199,650)</b>	<b>161,066,000</b>	<b>(51,937,143)</b>	<b>109,128,857</b>
<b>OPERATING EXPENSES</b>						
Program Services						
Research assistance	9,543,435	36,525	(41,639)	9,538,321	-	9,538,321
Public health	134,872,198	680,855	(776,174)	134,776,879	-	134,776,879
<b>Total Program Services</b>	<b>144,415,633</b>	<b>717,380</b>	<b>(817,813)</b>	<b>144,315,200</b>	<b>-</b>	<b>144,315,200</b>
Management and general	17,859,103	358,513	(384,430)	17,833,186	-	17,833,186
Fundraising	1,363,060	-	-	1,363,060	-	1,363,060
<b>Total Operating Expenses</b>	<b>163,637,796</b>	<b>1,075,893</b>	<b>(1,202,243)</b>	<b>163,511,446</b>	<b>-</b>	<b>163,511,446</b>
<b>Excess (Deficit) of Revenue and Support over Operating Expenses</b>	<b>(2,571,796)</b>	<b>123,757</b>	<b>2,593</b>	<b>(2,445,446)</b>	<b>(51,937,143)</b>	<b>(54,382,589)</b>
<b>NONOPERATING ACTIVITIES</b>						
Losses on foreign currency translation	(168,569)	(13,561)	(2,593)	(184,723)	-	(184,723)
Gain on investment in affiliate	110,196	-	(110,196)	-	-	-
Grants rescinded	7,208,074	-	-	7,208,074	-	7,208,074
Forgiveness of Due from the Union	(4,800,000)	-	-	(4,800,000)	-	(4,800,000)
Forgiveness of paycheck protection program loan	1,205,759	-	-	1,205,759	-	1,205,759
<b>Change in Net Assets</b>	<b>983,664</b>	<b>110,196</b>	<b>(110,196)</b>	<b>983,664</b>	<b>(51,937,143)</b>	<b>(50,953,479)</b>
<b>NET ASSETS</b>						
Beginning of year	(1,507,309)	-	-	(1,507,309)	210,375,104	208,867,795
Capital contribution	-	135	(135)	-	-	-
<b>End of year</b>	<b>\$ (523,645)</b>	<b>\$ 110,331</b>	<b>\$ (110,331)</b>	<b>\$ (523,645)</b>	<b>\$ 158,437,961</b>	<b>\$ 157,914,316</b>

See independent auditors' report



**Vital Strategies, Inc. and Affiliate**

Uniform Guidance Reports and Schedules

December 31, 2021

## Vital Strategies, Inc.

### Schedule of Expenditures of Federal Awards and Accompanying Notes Year Ended December 31, 2021

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing 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		\$ 2,323,562	\$ 3,264,084
Indirect award:				
Pass-through from JSI Research and Training Institute Inc.				
USAID Foreign Assistance for Programs Overseas	98.001	37710.002	-	70,617
Total U.S. Agency for International Development			<u>2,323,562</u>	<u>3,334,701</u>
Total Expenditures of Federal Awards			<u>\$ 2,323,562</u>	<u>\$ 3,334,701</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, 2021. 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 consolidated 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, 2021.

#### 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. and Affiliate**

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 consolidated financial statements of Vital Strategies, Inc. and Affiliate (“Vital Strategies”), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 16, 2022. Only the financial statements of Vital Strategies, Inc. were audited in accordance with *Government Auditing Standards*, and accordingly this report does not include reporting on internal control over financial reporting or instances of noncompliance associated with any other entity.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Vital Strategies’ 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Vital Strategies’ internal control. Accordingly, we do not express an opinion on the effectiveness of Vital Strategies’ 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 or significant deficiencies may exist that have not been identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Vital Strategies consolidated 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 consolidated 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 16, 2022



## **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**

##### ***Opinion on Each Major Federal Program***

We have audited Vital Strategies, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Vital Strategies, Inc.'s major federal programs for the year ended December 31, 2021. 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.

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, 2021.

##### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Vital Strategies, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Vital Strategies, Inc.'s compliance with the compliance requirements referred to above.

##### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Vital Strategies, Inc.'s federal programs.

***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Vital Strategies, Inc.'s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Vital Strategies, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Vital Strategies, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Vital Strategies, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Vital Strategies, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 16, 2022

**Vital Strategies, Inc. and Affiliate**

Schedule of Findings and Questioned Costs  
Year Ended December 31, 2021

**Section I - Summary of Auditors' Results**

**Consolidated Financial Statements**

Type of report the auditor issued on whether the consolidated 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 consolidated 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:

Assistance Listing Number  
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 – Consolidated Financial Statement Findings**

During our audit, we noted no material findings for the year ended December 31, 2021.

**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.