Management Sciences for Health, Inc.

Consolidated Financial Statements, Supplemental Information, Schedule of Expenditures of Federal Awards and Reports Required by *Government Auditing Standards* and the Uniform Guidance

Year Ended June 30, 2020

Management Sciences for Health, Inc.

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Management Sciences for Health, Inc.

Report on the financial statements

We have audited the accompanying consolidated financial statements of Management Sciences for Health, Inc. (a nonprofit organization) and subsidiaries (the “Entity”), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities , functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

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

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

GrantThornton

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Management Sciences for Health, Inc. and subsidiaries as of June 30, 2020 , and the 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.

Other matters

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of activities and the schedule of indirect cost allocation are presented for purposes of additional analysis and are not required parts of the basic consolidated financial statements. The accompanying schedule of expenditures of federal awards, 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 supplementary 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 audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the 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 supplementary 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 December 9, 2020, on our consideration of the Entity'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 the Entity'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 the Entity's internal control over financial reporting and compliance.

Grant Thornton LLP

Boston, Massachusetts
December 9, 2020

Management Sciences for Health, Inc.

Consolidated Statement of Financial Position

June 30, 2020

Assets		
Cash and cash equivalents	$	**29,820,752**
Restricted use cash (Note 2)		**10,412,711**
Grants and contracts receivable, net of reserve (Notes 2 and 4)		**8,585,014**
Services performed but not yet invoiced (Notes 2 and 4)		**6,962,635**
Employee advances and other receivables (Notes 2 and 6)		**2,455,421**
Prepaid expenses and other current assets		**2,880,958**
Deposits		**604,282**
Property and equipment, net (Notes 2 and 7)		**549,336**
Total Assets	**$**	**62,271,109**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$	**5,282,229**
Accrued expenses and other current liabilities (Note 8)		**2,384,334**
Accrued payroll and payroll-related liabilities (Note 9)		**6,292,400**
Short term note payable (Note 13)		**4,962,403**
Deferred revenue		**6,689,888**
Deferred rent (Note 12)		**2,176,870**
Total Liabilities	**$**	**27,788,124**
Commitments and Contingencies (Notes 8, 9, 10, 11, 12 13 and 14)		
Net Assets (Notes 2 and 10)		
Without donor restrictions	$	**34,012,584**
With donor restrictions (Note 10)		**470,401**
Total Net Assets		**34,482,985**
Total Liabilities and Net Assets	**$**	**62,271,109**

The accompanying notes are an integral part of these consolidated financial statements.

Management Sciences for Health, Inc.

Consolidated Statement of Activities

Year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	**Total**
Public Support and Other Revenue			
Grants and contract revenue	$ 124,659,962	$ 97,000	**$ 124,756,962**
Contributions	102,759	-	**102,759**
Interest income	337,749	-	**337,749**
Miscellaneous income	1,193,084	-	**1,193,084**
Net assets released from restriction	54,931	(54,931)	**-**
Total Public Support and Other Revenue	126,348,485	42,069	**126,390,554**
Operating Expenses			
Program services	101,958,612	-	**101,958,612**
Supporting services:			
Management and general	25,433,636	-	**25,433,636**
Fundraising	27,009	-	**27,009**
Total Supporting Services	25,460,645	-	**25,460,645**
Total Operating Expenses	127,419,257	-	**127,419,257**
Operating Expenses, in excess of public support and other revenue	(1,070,772)	42,069	**(1,028,703)**
Other Changes in Net Assets			
Foreign exchange gain	208,434	-	208,434
Change in Net Assets	(862,338)	42,069	**(820,269)**
Net Assets, beginning of year, as restated, (Note 2)	34,874,922	428,332	**35,303,254**
Net Assets, end of year	$ 34,012,584	$ 470,401	**$ 34,482,985**

The accompanying notes are an integral part of these consolidated financial statements.

Management Sciences for Health, Inc.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total	2020
Salaries and Related Expenses					
Salaries, benefits and taxes	$ 44,135,031	$ 17,580,133	$ 26,062	$ 17,606,195	**$ 61,741,226**
Other Expenses					
Subcontract and grant costs	22,701,877	178,572	-	178,572	**22,880,449**
Consultants	2,146,112	433,380	-	433,380	**2,579,492**
Training and workshops	8,411,319	12,098	-	12,098	**8,423,417**
Equipment and supplies	6,306,903	948,876	-	948,876	**7,255,778**
Travel and transportation	4,988,370	573,270	-	573,270	**5,561,640**
Office supplies and expense	6,795,407	1,040,686	-	1,040,686	**7,836,093**
Occupancy	2,262,799	2,584,468	-	2,584,468	**4,847,267**
IT and telecommunications	1,672,227	388,035	-	388,035	**2,060,262**
Legal and audit	197,979	621,792	-	621,792	**819,771**
Outside services	2,194,807	362,987	-	362,987	**2,557,794**
Miscellaneous	21,903	98,634	-	98,634	**120,537**
Depreciation and amortization	22,153	245,189	-	245,189	**267,342**
Fundraising expenses	-	-	947	947	**947**
Bad debt expense	101,724	365,516	-	365,516	**467,240**
Total expenses	$ 101,958,612	$ 25,433,636	$ 27,009	$ 25,460,645	**$ 127,419,257**

The accompanying notes are an integral part of these consolidated financial statements.

Management Sciences for Health, Inc.

Consolidated Statement of Cash Flows

Year ended June 30, 2020

Change in net assets	$	(820,269)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization		267,342
Bad debt expense		467,240
Changes in certain assets and liabilities:		
Grants and contracts receivable		1,412,556
Services performed but not yet invoiced		12,286,689
Employee advances and other receivables		(1,493,401)
Prepaid expenses and other current assets		(1,578,345)
Deposits		91,687
Accounts payable		2,546,638
Accrued expenses and other current liabilities		263,186
Accrued payroll and payroll related liabilities		756,676
Deferred revenue		(7,381,888)
Deferred rent		(325,088)
Net Cash Provided by Operating Activities		**6,493,023**
Cash Flows from Investing Activities		
Purchase of fixed assets		(129,026)
Net Cash Used in Investing Activities		**(129,026)**
Cash Flows from Financing Activities		
Proceeds from debt		4,953,244
Net Cash Provided by Financing Activities		**4,953,244**
Net Increase in Cash		**11,317,241**
Cash and Cash Equivalents, Beginning of year		**28,916,222**
Cash and Cash Equivalents, End of year	**$**	**40,233,463**

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 - ORGANIZATION

Management Sciences for Health, Inc. (MSH or the Organization) was established in 1971 to support the development and application of management concepts in the fields of public health and preventive medicine throughout the world. The Organization has United States (U.S.) offices in Massachusetts, Virginia, New York, and field offices in various developing countries. These developing countries include Afghanistan, Angola, Bangladesh, Benin, Burkina Faso, Cameroon, Cote d'Ivoire, DRC, Ethiopia, Gabon, Guatemala, Haiti, Kenya, Liberia, Madagascar, Malawi, Mali, Mozambique, Nigeria, Philippines, Rwanda, Senegal, South Africa, Tanzania, Uganda, and Ukraine.

The Internal Revenue Service (IRS) has recognized the Organization as a tax-exempt organization under Section 501(c)(3). Section 501(c)(3) of the Internal Revenue Code (the Code) provides for the exemption of organizations that are organized and operated exclusively for religious, charitable, scientific, literary or educational purposes and whose net earnings do not inure to the benefit of any private shareholder or individual.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The consolidated financial statements include the accounts of Management Sciences for Health, Inc. and its subsidiaries and are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). All significant intercompany transactions have been eliminated. Unless otherwise noted, these consolidated entities are hereinafter referred to as “the Organization.”

Consolidated subsidiaries include:

- Medsource Group Limited (Medsource), a controlled subsidiary, began operations during the fiscal year ended June 30, 2017. Medsource was registered on March 23, 2017 in the Republic of Kenya.
- Management Sciences for Health-Peru (MSHP), a controlled subsidiary, began operations during the fiscal year ended June 30, 2016. MSHP is registered as a tax-exempt entity under the laws of Peru. A for profit organization.
- Management Sciences for Health LTD/GTE (MSHN) was established on September 13, 2006 under the laws of Nigeria a not for profit organization.
- Management Sciences for Health (MSHS) was incorporated on January 5, 2009 under the laws of Swaziland a not for profit organization.
- MSH Development Services, Inc. (MSHDS) was incorporated in Massachusetts, USA on April 20, 1979 a for profit organization.

MSHN and MSHS had no revenues or expenses in the current year and, accordingly, are not presented in the supplemental consolidating schedule of activities.

Restatement of Net Assets

The beginning net assets of the Organization have been restated to record an immaterial correction of an error related to the elimination of capital of certain subsidiaries.

The adjustment to beginning net assets is as follows:

	Without donor restrictions	With donor restrictions	Total
Beginning net assets, as reported	$ 33,441,640	$ 428,332	$ 33,869,972
Adjustment:			
Elimination of capital of certain subsidiaries	1,433,282	-	1,433,282
Beginning net assets, as restated	$ 34,874,922	$ 428,332	$ 35,303,254

Cash and Cash Equivalents

Cash and cash equivalents represent cash on hand and short-term, highly liquid investments that are both readily convertible to cash on demand without penalty and have maturities of three months or less when purchased. Cash and cash equivalents include operating cash accounts and money market accounts held in the U.S. and abroad. Cash deposits in foreign banks totaled $2,458,034 as of June 30, 2020.

Restricted Use Cash

Certain cash is restricted to specific donor use and is required to be held in a separate account. As of June 30, 2020, the Organization held approximately $10,413,000 of donor-restricted cash classified As of June 30, 2020, the Organization also had uninsured money market funds of $17,050,000.

Grants and Contracts Receivable and Allowance for Doubtful Accounts

Grants and contracts receivable consist primarily of noninterest-bearing amounts due from funders. Grants and contracts receivable are expected to be collected within one year and are recorded at net realizable value. Accounts receivable are written off when deemed uncollectible. Amounts due on contracts were reviewed by management, and they have established a reserve of $375,000 as of June 30, 2020.

Revenue recognized on grants and contracts but not yet invoiced is classified in the accompanying consolidated statement of financial position as services performed but not yet invoiced.

Employee Advances and Other Receivables

The Organization advances monies to employees to cover the cost of travel and certain programmatic activities incurred on the Organization’s behalf. These advances are generally cleared within 30 days or upon conclusion of employee travel.

Property and Equipment

Property and equipment additions over $5,000 individually, or $50,000 in the aggregate, are capitalized and recorded at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from three to five years or, in the case of capitalized leasehold improvements, the lesser of the useful life of the asset or the lease term:

Type of Asset Class	Useful Lives
Furniture and equipment	5 years
Leasehold improvements	Lesser of 10 years or lease duration
Computer and software	3 years

When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the consolidated statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent that the carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2020.

Net Assets

The classification of a not-for-profit organization’s net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions - This class consists of net assets not restricted by donor-imposed stipulations.

With Donor Restrictions - This class consists of net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization, pursuant to those stipulations. When such stipulations end or are fulfilled, such donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities. Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization are classified as net assets with donor restrictions-perpetual in nature. Donors designate the purpose primarily in support of MSH program activities related to maternal and family healthcare, staff development and advocacy.

Revenue Recognition

<u>Grants and Contract Revenue</u>

Grants and contract revenue include revenues derived from contracts, cooperative agreements, and grants with U.S. government agencies, primarily the U.S. Agency for International Development (USAID).

The percentage of revenue earned from U.S. government agencies was 75% for the year ended June 30, 2020. Revenues are recognized when the Organization incurs qualifying expenditures that are reimbursable under the terms of the Organization-held contracts, agreements or grants, or in accordance with the grantor's restrictions.

Program service fees and payments under cost-type contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

The Organization negotiates its indirect cost rate with USAID on an annual basis. Based on favorable past experience, management believes the effects of changes to the overhead rates, if any, would not be material to the consolidated financial statements.

Revenue from U.S. government agencies is subject to independent audit under the Code of Federal Regulations Title 2 Subtitle A Chapter II Part 200 Subpart F §200.500 and review by grantor agencies.

Contributions

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

Contributions received, including unconditional promises to give, if any, are reported at their net realizable values. Gifts of cash and other assets are reported as donations with restrictions if they are received with donor stipulations that limit their use or if they are intended to support activities in future periods. Contributions with donor-imposed restrictions that are met in the same accounting period are recorded as unrestricted income.

Cost Share

Some of the Organization's agreements, primarily those funded by the U.S. government, include cost share requirements that require the Organization to match funding received from U.S. government agencies. The requirements are typically based on a percentage of amounts expended.

Contract Costs and Deferred Costs

The contract costs of MSH are subject to audit by the U.S. Government and other governments with which they contract, often many years after the work has been performed. These audits can result in adjustments to contract billings and related profits. The majority of the Company’s revenues are driven by pricing based on costs incurred to perform services under contracts with the U.S. Government. Cost-based pricing is determined in accordance with the Federal Acquisition Regulations (“FAR”). The FAR provides guidance on the types of costs that are allowable and their allowability in establishing prices for goods and services under U.S. Government contracts. In addition, the Company may enter into agreements that address the allowability and allocation of costs to contracts for specific matters. Certain costs incurred in the performance of U.S. Government contracts are required to be recorded under U.S. GAAP but are not currently allocable to contracts. Such costs are deferred and primarily include post-employment benefits and deferred income taxes. These costs are allocated to contracts when they are paid or otherwise agreed upon. Management regularly assesses the probability of recovery of these costs.

Foreign Currency

The U.S. dollar (USD) is considered to be the functional currency of the Organization’s worldwide operations, except for its affiliate operations in Peru and Medsource, where the local currency used in MSH’s foreign operations is considered to be the functional currency of these jurisdictions. Transactions in currencies other than USD have been translated into USD at the applicable exchange rates. For assets and liabilities, this is the rate in effect at the consolidated statement of financial position date, with the exception of fixed assets, which are measured at the historical rate. For revenue and expense items, translation is performed monthly using the average rate for the month. Net transaction and currency conversion gains and losses are included in the accompanying consolidated statement of activities in the non-operating section as foreign exchange gains or losses. The cumulative translation gain is included in net assets without donor restrictions.

Functional Allocation of Expense

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The costs of delivering the Organization's mission are allocated according to their functional characteristics: program and program support, management and general, and fundraising. Direct program and direct program support expenses are directly allocated based on the technical, project management or project support activities that are required to ensure delivery of program and project results. Management and general consists of corporate and senior management costs to oversee and support the cumulative efforts of the Organization's programs and to promote the Organization's mission. Fundraising constitutes those costs incurred to raise private gifts. MSH utilizes standard job costing methods to allocate functional expenses.

Income Taxes

The Organization was incorporated in the Commonwealth of Massachusetts and is exempt from federal and state income taxes under Section 501(c)(3) of the Code and, therefore, has made no provision for income taxes in the accompanying consolidated financial statements. The Organization has been recognized by the IRS as a public charity.

Under Accounting Standards Codification ("ASC") 740, "Accounting for Uncertainty in Income Taxes," an organization must recognize the financial statement effects associated with tax positions taken for tax return purposes when it is more likely than not the position will not be sustained upon examination by a taxing authority. The Organization does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax positions. The Organization has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Organization has filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended June 30, 2020, there were no material interest or penalties recorded or included in the consolidated statement of activities related to uncertain tax positions.

Fair Value Measurements of Financial Instruments

The Organization estimates fair value based on a valuation framework that uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). See Note 5.

Risks and uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a worldwide pandemic. Although the global and business impact was not fully known at the time of declaration, MSH has conducted several contingency planning exercises, that have been updated and appropriately tracked since, to plan for the potential of delayed or lost client work As of issuance of these financial statements, the pandemic has resulted in minimal disruption to MSH's business, however, the Company continues to monitor the effects and risks and the uncertainty associated with this pandemic. MSH took the prudent measure of applying for a paycheck protection program ("PPP") loan due to the uncertainties.

Concentration of Credit Risk

Financial instruments that subject the Organization to concentrations of credit risk consist principally of temporary cash investments. The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. The Organization has concentrated its credit risk for cash by maintaining bank deposits in the U.S. that exceed federal insurance levels, and cash in foreign financial institutions. To date, the Organization has not experienced losses in these accounts. As of June 30, 2020, the Organization also had uninsured money market funds of $17,050,000.

Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because outstanding amounts are due primarily from the U.S. government, which represent 92% of receivables as of June 30, 2020 other government funders, and foundations supportive of the Organization's mission.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires the Organization's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Recently Adopted Pronouncements

In June 2018, the FASB issued Accounting Standards Update (ASU) ASU 2018-08, "Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made." This ASU was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. The standard provides guidance to assist in the determination of whether a transaction is a contribution or an exchange transaction. If the transaction is deemed to be a contribution, the guidance provides factors to consider with regard to whether the contribution is conditional or unconditional. For contributions received, if determined to be an unconditional contribution, the determination will then need to be made as to whether the contribution is restricted. The ASU will assist in the determination of the nature of the transaction, which will then govern the revenue and expense recognition methodology and timing of the transaction. The Organization adopted ASU 2018-08 for the year ended June 30, 2020 as a resource recipient. This did not require any significant accounting changes related to recording revenues or liabilities.

In November 2016, the FASB issued ASU 2016-08, "Statement of Cash Flows (Topic 230), Restricted Cash" This ASU was issued to standardize how restricted use cash is reflected in the statement of cash flows. The standard requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. The definition of restricted cash is defined in the Organization's accounting policies. The ASU is effective for fiscal years beginning after December 15, 2018. The Organization adopted ASU 2016-18 for the year ended June 30, 2020. This did not require any significant accounting changes related to recording cash, cash equivalents and restricted use cash.

Accounting Pronouncements Issued but Not Yet Adopted

Revenue Recognition (Topic 606)

In May 2014, the FASB issued ASU 2014-09, Revenue for Contracts with Customers (Topic 606). Upon the effective date, the ASU replaces almost all existing revenue recognition guidance, including industry specific guidance, in U.S.GAAP. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized, based upon the core principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the standard requires additional disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. FASB subsequently issued ASU 2020-05, “Revenue from Contracts with Customers” – Deferral of the Effective Date that resulted in an additional one-year deferral of ASU 2014-09 for fiscal years beginning after December 15, 2019. The Company is currently assessing the impact that the adoption of this standard will have on its financial statements and related disclosures upon implementation in 2021.

Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842),” to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the consolidated statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its ROU, the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the Organization’s fiscal years beginning after December 15, 2021, with early adoption permitted. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

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

Cash and cash equivalents	$	29,820,752
Grants and contracts receivable		8,585,014
Services performed but not yet invoiced		6,962,635
Total Financial Assets Available for General Expenditures Within One Year	$	45,368,401

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Organization invests cash in excess of daily requirements in short-term investments.

NOTE 4 - GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable and services performed but not yet invoiced included the following:

June 30,		**2020**
Grants and contracts receivable from:		
U.S. government on billings with standing letters of credit	$	82,465
Other U.S. government receivables		8,844,853
Other funders		32,696
Allowance for doubtful accounts		(375,000)
Total Grants and Contracts Receivable	**$**	**8,585,014**
Services performed but not yet invoiced from:		
Other U.S. government receivables	$	6,031,681
Other funders		930,954
Total Services Performed but Not Yet Invoiced	**$**	**6,962,635**

NOTE 5 - FAIR VALUE MEASUREMENTS

U.S. GAAP "Fair Value Measurement," defines fair value, establishes a framework for measuring fair value and expands the disclosures about fair value measurements. U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated, or unobservable. U.S. GAAP established a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The standard requires that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability and may affect the valuation of the asset or liability and its placement within the fair value hierarchy. The Organization classifies fair value balances based on the fair value hierarchy defined by U.S. GAAP, as follows:

Level 1 - Valuations are based on quoted market prices in active markets for identical assets or liabilities at the measurement date.

Level 2 - Valuations are based on: (a) quoted prices for similar assets or liabilities in active markets, (b) quoted prices for identical or similar assets or liabilities in inactive markets, (c) inputs other than quoted prices that are observable for the asset or liability, and (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Valuation is based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

The Organization's investments are held in money market funds. Funds are classified within Level 1, since fund shares have a readily determinable fair value based on daily redemption values. Money market funds held in the U.S. and abroad are classified in the accompanying consolidated statement of financial position as cash and cash equivalents.

NOTE 6 - EMPLOYEE ADVANCES AND OTHER RECEIVABLES

The Organization advances monies to employees to cover the cost of travel and certain programmatic activities incurred on the Organization's behalf. Employee advances and other receivables consisted of the following:

June 30,		2020
Employee advances - field offices	$	511,950
Employee advances - U.S.		(2,015)
Deferred tax asset		1,158,505
Other receivables		786,981
Total Employee Advances and Other Receivables	**$**	**2,455,421**

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consisted of the following:

June 30,		2020
Furniture and equipment	$	3,157,987
Computer and software		653,258
Leasehold improvements		963,574
Total Property and Equipment		4,774,819
Less: accumulated depreciation		(4,225,483)
Total Property and Equipment, Net	**$**	**549,336**

Depreciation and amortization expense for the year ended June 30, 2020 was $267,342.

NOTE 8 - ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following:

June 30,		2020
Accrued expenses - U.S.	$	1,498,824
Accrued expenses - field offices		828,911
Amounts due to funders		56,599
Total Accrued Expenses and Other Current Liabilities	**$**	**2,384,334**

NOTE 9 - ACCRUED PAYROLL AND PAYROLL-RELATED LIABILITIES

The Organization accrues the expense for employee vacation as earned, based on the Organization's policy, or as required pursuant to local law. Other employee paid time off is expensed as paid, unless vested pursuant to local law. The Organization expenses termination payments required by local law based on local vesting schedules and requirements or as applied by local common practice. In countries where termination payments are not fully vested, expense is accrued based on estimates using historical payouts.

Accrued payroll and payroll-related liabilities consisted of:

June 30,		2020
Salaries, wages, and payroll taxes payable	$	1,712,277
Accrued vacation and paid time off		2,493,936
Accrued termination payments		1,540,467
Employee benefits payable		531,534
Retirement plan contributions payable		14,186
Total Accrued Payroll and Payroll-Related Liabilities	**$**	**6,292,400**

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for program purposes. During the years ended June 30, 2020, the amount released in support of program purposes was $54,931. The balances as of June 30, 2020 was $470,401.

NOTE 11 - EMPLOYEE RETIREMENT PLANS

Section 401(k) Plan

The Organization sponsors a defined contribution plan (the Plan) that is tax-qualified under Section 401(a) of the Code and that includes a qualified cash or deferred arrangement feature under Section 401(k) of the Code. The Plan covers substantially all full-time employees on U.S. payroll. Participants may elect to contribute into the Plan on a pre-tax basis by making elective salary-reduction contributions. In addition, participants may make after-tax contributions, or Roth contributions, to the Plan. The Organization is required to make a matching contribution to the Plan equal to 100% of the first 3% of compensation deferred by the participant. The Organization contributes 3% to all employees whose service period is at least one year. The Organization's total contributions to the Plan amounted to $1,393,000 for the year ended June 30, 2020.

While the Organization expects to continue the Plan indefinitely, it has reserved the right to modify, amend or terminate the Plan. In the event of Plan termination, all participants will become 100% vested in their accounts and the net assets of the Plan will be set aside for the payments of benefits to the participants.

Outside of the United States, most employees are citizens of the countries where the Organization maintains offices. These employees are generally not eligible for the Plan, but they are eligible for local government plans or plans sponsored by the Organization for that country. The locally sponsored plans generally require funding based on years of employment and payment upon termination.

Section 457(b) Plan

The Organization sponsors a deferred compensation plan (the Deferred Plan) intended to be an eligible deferred compensation plan within the meaning of Section 457(b) of the Code. The Deferred Plan is unfunded and maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees and is exempt from The Employee Retirement Income Security Act (ERISA) under Sections 201(2), 301(a)(3), and 401(a)(1). Participants have a fully vested and non-forfeitable interest in the balance of the account at all times. The Organization does not contribute to this Deferred Plan.

While the Organization expects to continue the Deferred Plan indefinitely, it has reserved the right to modify, amend or terminate the Deferred Plan. In the event of Plan termination, the net assets of the Deferred Plan will be set aside for the payments of benefits to the participants.

NOTE 12 - LEASES

The Organization leases offices and program space under various lease arrangements in the U.S. and abroad. In the U.S., the Organization was subject to the following lease arrangements during the fiscal year:

Arlington, Virginia Lease

The Organization has a lease agreement for its Arlington, Virginia office space, which is set to expire on October 31, 2024.The lease was renewed in October 2018 with a temporary deferral of a portion of base rent and exercising the right to terminate the lease with respect to the fifth and sixth floors, effective October 31, 2019. Under the terms of the original agreement, the Organization was not required to make lease payments for the three-month period ended January 31, 2015 and has an early termination option on October 31, 2019 for approximately 13,900 square feet of the approximate 44,000 square feet under the lease. The Organization made monthly payments of approximately $177,000 during the fiscal year, which includes additional operating expenses. In accordance with U.S. GAAP, rent expense has been amortized using the straight-line method over the entire term of the lease, including the rent-free period. The Organization reported a liability of $1,067,000 for the amortized rent in excess of rent payments as of June 30, 2020, which was included in the accompanying consolidated statement of financial position. Rent expense under the Arlington lease agreement for operating expenses, was $2,005,000 for the year ended June 30, 2020.

Medford, Massachusetts Lease

The Organization has a lease agreement for its U.S. headquarters in Medford, Massachusetts with a lease term of May 31, 2013 through October 31, 2024, and annual rent escalation provisions starting at 2.5% in November 2015 and decreasing to 2.1% in November 2023. The terms of the lease included a rent abatement period through October 31, 2014. Rent expense has been amortized using the straight-line method over the entire term of the lease, including the abatement period. The Organization reported a liability of $1,140,000 for the amortized rent in excess of rent payments as of June 30, 2020. Rent expense under this lease agreement for operating expenses, was $1,165,000 for the year ended June 30, 2020.

New York, New York Lease

The Organization assumed a lease agreement for its office in New York, New York with a lease assumption date of December 1, 2015, and a lease term end date of December 23, 2023. The lease contains annual rent escalation provisions of approximately 3% and includes a rent abatement period in April 2017. Rent expense has been amortized using the straight-line method over the entire term of the lease, including the abatement period. The Organization reported a liability of $68,000 for the amortized rent in excess of rent payments as of June 30, 2020. Rent expense under this lease agreement for operating expenses, were $241,000 for the year ended June 30, 2020. The Organization executed a sublease agreement on August 17, 2018 with an expiration date of December 31, 2023. The subtenant monthly payment of $19,500 commenced on September 1, 2018. The base rent is subject to cumulative annual escalation clauses of 2.75% on each anniversary.

The Organization executed a one-year lease agreement, as lessee on August 21, 2018. It was renewed for a two-year period on August 12, 2019. The monthly lease payments are $9,300. The agreement may be renewed annually, subject to an automatic annual increase of 3% over the current rent. The rent expense for the year ended June 30, 2020 was $111,600.

Generally, in each of its international locations, the Organization enters into lease agreements locally with varying negotiated terms and conditions in addition to compliance with statutory requirements. Those leases are reflected in the table below.

The Organization has no collateral or letters of credit required for these leases. The approximate future minimum annual rental payments required under all of the lease agreements are as follows:

Year ending June 30,	Total	United States	Foreign
2021	$ 4,435,485	$ 3,787,834	$ 647,651
2022	4,136,597	3,789,934	346,663
2023	4,191,116	3,870,059	321,057
2024	4,011,921	3,834,045	177,876
2025	1,287,728	1,240,410	47,318
Thereafter	42,000	-	42,000
Total Future Minimum Payments Required	$ 18,104,847	$ 16,522,282	$ 1,582,565

NOTE 13 – PAYROLL PROTECTION PROGRAM LOAN

Under the PPP, under the Coronavirus Aid, Relief and Economic Security Act (“CARES”), the Organization was awarded an unsecured Small Business Association (“SBA”) loan through a bank that provided for maximum borrowings of approximately $4,962,000. The interest rate of the PPP loan was set at a fixed rate of 1.00% and is eligible for full forgiveness under the guidelines of the PPP loan agreement. As of June 30, 2020, the full balance of the loan is outstanding. The initial loan repayments, if not all forgiven, will begin in the first quarter of next fiscal year (FY22).

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Litigation

From time to time, the Organization has been a party to several employment disputes and other claims in the ordinary course of business. In the opinion of management, the Organization does not expect their resolution to have a material impact on its consolidated financial position.

Federal Funding

The Organization receives funding from donors, subject to routine special audits around compliance with donor specific restrictions and conditions, including certain federally funded programs. In the opinion of management, adjustments that might result from such audits would not have a material effect on the Organization’s consolidated financial position.

Foreign Operations

Due to the nature of its operations, the Organization is subject to the continuing impact of foreign governments and their policy changes. Such changes could have wide-ranging impact on the Organization’s operations; however, no material event has previously occurred.

NOTE 15 - SUBSEQUENT EVENTS

The Organization’s management has performed subsequent event procedures through December 9, 2020 which is the date the consolidated financial statements were available to be issued, and there were no subsequent events requiring adjustment to the consolidated financial statements or disclosures herein.

Supplemental Information

Management Sciences for Health, Inc.

Consolidating Schedule of Activities

Year ended June 30, 2020

	MSH, Inc. Without Donor Restriction	MSH, Inc. With Donor Restriction	MSH, Inc. Total	Medsource	MSHP	MSHDS	Eliminations	2020 Consolidated
Public Support and Other Revenue								
Grants and contract revenue	$ 124,139,718	$ 97,000	$ 124,236,718	$ 23,313	$ 496,931	$ -	$ -	**$ 124,756,962**
Contributions	101,770	-	101,770	-	989	-	-	**102,759**
Interest income	329,018	-	329,018	2,315	6,416	-	-	**337,749**
Miscellaneous income	2,070	-	2,070	1,191,014	-	-	-	**1,193,084**
Net assets released from restriction	54,931	(54,931)	-	-	-	-	-	**-**
Total Public Support and Other Revenue	124,627,507	42,069	124,339,576	1,216,642	504,336	-	-	**126,390,554**
Operating Expenses								
Program services	100,438,622	-	100,438,622	980,980	539,010	-	-	**101,958,612**
Supporting services:								
Management and general	26,170,995	-	26,170,995	370,607	33,757	565	(1,142,288)	**25,433,636**
Fundraising	27,009	-	27,009	-	-			**27,009**
Total Supporting Services	26,198,004	-	26,198,004	370,607	33,757	565	(1,142,288)	**25,460,645**
Total Operating Expenses	126,636,626	-	126,636,626	1,351,587	572,767	565	(1,142,288)	**127,419,257**
Operating Expenses, in excess of public support and other revenue	(2,009,119)	42,069	(1,967,050)	(134,945)	(68,431)	(565)	1,142,288	**(1,028,703)**
Other Changes in Net Assets								
Foreign exchange gain (loss)	108,462	-	108,462	322,392	491	-	(222,911)	**208,434**
Change in Net Assets	(1,900,657)	42,069	(1,858,588)	187,447	(67,940)	(565)	919,377	**(820,269)**
Net Assets, beginning of year, as restated (Note 2)	36,600,781	428,332	37,029,113	(1,454,635)	10,763	(19,952)	(262,035)	**35,303,254**
Net Assets, end of year	$ 34,700,124	$ 470,401	$ 35,170,525	$ (1,267,188)	$ (57,177)	$ (20,517)	$ 657,342	**$ 34,482,985**

Management Sciences for Health, Inc.

Schedule of Indirect Cost Allocation

Year ended June 30, 2020

Indirect Expenses

The Organization has incurred the following indirect expenses:

		(%)
Indirect expenditures		
Fringe benefits	**$ 6,992,525**	**100.00**
Overhead		
Salaries and wages	3,748,996	72.43
Occupancy	775,135	14.98
Travel and transportation	282,295	5.45
Subcontract and grant costs	178,572	3.45
Consultants	88,952	1.72
Office supplies and expense	50,364	0.97
Legal and audit	19,926	0.38
Miscellaneous	19,698	0.38
IT and telecommunications	7,156	0.14
Outside services	3,598	0.07
Equipment and supplies	1,487	0.03
Total overhead	**5,176,179**	**100.00**
General & administrative		
Salaries and Wages	13,834,202	70.09
Occupancy	1,809,333	9.17
Office supplies and expense	989,368	5.01
Equipment and supplies	947,389	4.80
Legal and audit	416,372	2.11
IT and telecommunications	380,879	1.93
Consultants	344,427	1.74
Outside services	332,943	1.69
Depreciation and amortization	292,089	1.48
Travel and transportation	290,975	1.47
Miscellaneous	89,185	0.45
Training and workshops	12,098	0.06
Total general & administrative	**19,739,260**	**100.00**
Total indirect expenditures	**$ 31,907,964**	**100.00**

Management Sciences for Health, Inc.

Schedule of Indirect Cost Allocation - Continued

Year ended June 30, 2020

Allocation and Indirect Expenses

The Organization has allocated its indirect costs to direct programs, as follows:

Indirect expenditures		
Fringe benefits		
Salaries and wages	$	**6,992,525**
Overhead		
Salaries and wages		4,956,880
Consultants		219,299
Total overhead		**5,176,179**
General & administrative		
Salaries and wages		10,934,612
Subcontract and grant costs		2,646,344
Training and workshops		1,692,989
Office supplies and expense		1,284,292
Travel and transportation		924,687
Occupancy		573,769
Consultants		451,292
Outside services		421,836
IT and telecommunications		370,162
Equipment and supplies		255,847
Miscellaneous		118,318
Legal and audit		48,921
Bad debt		15,306
Fundraising expenses		885
Total general & administrative	**$**	**19,739,260**

Indirect Cost Rate Calculations

Base	Calculation	Rate (%)
Fringe benefits	Total HQ Fringe Benefits/Total HQ direct, Indirect and PTO labor costs	25.64
Overhead	Total overhead costs, including associated HQ fringe benefits/total direct and consultant labor including associated HQ fringe benefits	13.70
General and administrative	Total G&A costs including associated HQ fringe benefits/total direct costs including OH and HQ Fringe less direct subaward and equipment costs	24.80

Management Sciences for Health, Inc.

Schedule of Expenditures of Federal Awards

Year ended June 30, 2020

Federal Grant/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	MSH Agreement Number	Prime Agreement Number or Pass-Through Identifying Number	Provided to Subrecipients	Total Federal Expenditures
Department of Health and Human Services – Center for Disease Control and Prevention (CDC)					
Federal Assistance Awards:					
Global AIDS:					
Direct Programs:					
Technical Assistance to Host Country	93.067	1 NU2GGH001929-01-00	N/A	$22,490	$ 2,020,910
Total Global AIDS Programs				22,490	2,020,910
Total Department of Health and Human Services - Center for Disease Control and Prevention (CDC)				22,490	2,020,910
Department of Defense (DoD) - Defense Threat Reduction Agency (DTRA)					
Federal Contracts:					
Cooperative Biological Engagement Program (CBEP):					
Contracts - Pass-Through:					
DTRA Vietnam	12.U01	10006-7-108118	HDTRA1-08-D-0008	-	65,018
Total Department of Defense (DoD) - Defense Threat Reduction Agency (DTRA)				-	$ 65,018

The accompanying notes are an integral part of this schedule.

Management Sciences for Health, Inc.

Schedule of Expenditures of Federal Awards - Continued

Year ended June 30, 2020

Federal Grant/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	MSH Agreement Number	Prime Agreement Number or Pass-Through Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Agency for International Development (USAID)					
Federal Assistance Awards:					
Foreign Assistance for Programs Overseas:					
Direct Programs:					
AFIAT (Assistance for Families and Indigent Afghans to Thrive)	98.001	73060620CA00006	N/A	$ -	$ 186,436
Uganda Health Supply Chain	98.001	AID-617-A-14-00007	N/A	1,434,120	5,515,840
Care and Treatment for Sustained Support	98.001	AID-620-A-16-00001	N/A	-	2,856,043
Uganda National Tuberculosis and Leprosy Control Program -: TRACK Tuberculosis Activity	98.001	AID-623-A-13-00003	N/A	-	175,978
Help Ethiopia Address the Low TB Performance (HEAL TB) Program	98.001	AID-663-A-11-00011	N/A	-	14,421
Rwanda Health Systems Strengthening Project	98.001	AID-696-A-15-00001	N/A	-	(28,600)
Meeting Targets and Maintaining Epidemic Control	98.001	19-SBA-151	N/A	-	65,764
Strengthening the Center	98.001	AID-OAA-A-16-00068	N/A	7,530	816
Integrated Health Services Activity Benin	98.001	72068018CA00001	N/A	362,481	3,894,715
Accessible Continuum of Care and Essential Services Sustained (ACCESS) Activity in Madagascar	98.001	72068718CA00003	N/A	3,468,619	17,922,597
Total Foreign Assistance for Programs Overseas – Direct Programs				5,272,750	30,604,011

The accompanying notes are an integral part of this schedule.

Management Sciences for Health, Inc.

Schedule of Expenditures of Federal Awards - Continued

Year ended June 30, 2020

Federal Grant/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	MSH Agreement Number	Prime Agreement Number or Pass-Through Identifying Number	Provided to Subrecipients	Total Federal Expenditures
Pass-Through Programs:					
USAID Afya Uzazi Baringo & Nakuro	98.001	PO17001504	AID-615-A-16-00011	-	(1,882)
Health for All (HFA) program in Angola	98.001	4353-MSH-01Feb17	AID-654-A-17-00003	-	897,134
Ethiopia Community HIV Care and Treatment	98.001	04093-MSH-01	AID-663-A-17-00008	-	1,162
USAID Mali Social Behavior Change Communication/Social Marketing	98.001	2002517023	AID-688-A-15-00001	-	173,702
Evidence to Action (E2A)	98.001	OAA-A-11-00024-01-MSH	AID-OAA-A-11-00024	-	(5,289)
Challenge Tuberculosis	98.001	N/A	AID-OAA-A-14-00029	132,350	2,009,117
Linkages Across the Continuum of HIV Services for Key Populations Affected by HIV (LINKAGES) Project in Angola	98.001	100303.001.007.006.001	AID-OAA-A-14-00045	30,376	443,262
Monitoring and Evaluation to Assess and Use Results (MEASURE) Evaluation Phase IV Project	98.001	7200AA18LA00007	AID-OAA-L-14-00004	-	202,810
Knowledge for Health II	98.001	PO# 2001985220	OAA-A-13-00068	-	73
Improving Market Partnership and Access to Commodities Together (IMPACT) Program in Madagascar	98.001	4492-MSH-Oct18	720-687-18-CA-00001	104,848	1,650,460
Total Foreign Assistance for Programs Overseas - Pass-Through Programs				267,574	5,370,550
Total Foreign Assistance for Program Overseas				$ 5,540,323	$ 35,974,561

The accompanying notes are an integral part of this schedule.

Management Sciences for Health, Inc.

Schedule of Expenditures of Federal Awards - Continued

Year ended June 30, 2020

Federal Grant/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	MSH Agreement Number	Prime Agreement Number on Pass-Through Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Agency for International Development (USAID)					
Federal Assistance Awards (Continued):					
Federal Contracts:					
Direct Contracts:					
Liberia Collaborative Support for Health Systems Strengthening Project	98.U01	AID-669-C-15-00001	N/A	$ -	$ 10,000
Organized Network of Services for Everyone (ONSE) in Malawi	98.U02	AID-612-C-17-00001	N/A	4,418,948	17,890,616
Safe, Affordable and Effective Medicines for Ukraine	98.U03	AID-121-C-17-00004	N/A	487,290	3,109,890
President's Malaria Initiative Nigeria IDIQ	98.U04	72062018D00002	N/A	65,639	3,993,770
Indefinite Delivery-Indefinite Quantity Under Technical Assistance Support Contract Four - Africa	98.U05	AID-OAA-I-14-00038	N/A	-	25,000
The Medicines, Technologies and Pharmaceutical Services Program	98.U06	7200AA18C00074	N/A	2,410,355	27,930,991
Health Leadership Project (HLP) Activity in Haiti	98.U07	72052119CA00004	N/A	113,902	1,938,913
Total USAID Direct Contracts				7,496,134	54,899,180
Pass-Through Contracts:					
Implementation of an HPV-based Screen-and-Test Strategy for Cervical Cancer Prevention (PEER) in Malawi	98.U08	51133401	AID-OAA-A-11-00012	-	384,531
Heath Workforce Improvement Program in Ethiopia	98.U09	20-SBA-107	72066320CA00008	-	53,386
Total USAID Pass-Through Contracts				-	447,917
Total USAID Federal Contracts				7,496,134	55,347,098
Total U.S. Agency for International Development				13,036,457	91,321,658
Total Expenditures of Federal Awards				$ 13,058,947	$ 93,407,586

The accompanying notes are an integral part of this schedule.

Management Sciences for Health, Inc.

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2020

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Management Sciences for Health, Inc. and its subsidiaries (the Organization), under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform* Administrative *Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

NOTE 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

The Schedule lists all federal awards, both assistance and contracts. Catalog of Federal Domestic Assistance (CFDA) numbers and pass through entity identifying numbers are presented when available.

NOTE 3 - INDIRECT COST RATE

MSH has elected not to use the 10% de-minimis indirect cost rate allowed under the Uniform Guidance.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Management Sciences for Health, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Management Sciences for Health, Inc. and subsidiaries (the "Entity"), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 9, 2020.

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

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

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

Compliance and other matters

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

Intended purpose

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 report is not suitable for any other purpose.

Grant Thornton LLP

Boston, Massachusetts
December 9, 2020

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Management Sciences for Health, Inc.

Report on compliance for each major federal program

We have audited the compliance of Management Sciences for Health, Inc. and subsidiaries (the "Entity") with the types of compliance requirements described in the U.S. Office of Management and Budget's *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020. The Entity's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

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

Opinion on each major federal program
In our opinion, the Entity 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 June 30, 2020.

Grant Thornton

Report on internal control over compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the Entity's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Grant Thornton LLP

Boston, Massachusetts
December 9, 2020

Management Sciences for Health, Inc.

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Section 1. Summary of Auditor's Results

Consolidated Financial Statements

Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with U.S. GAAP:	Unmodified	
Internal control over financial reporting:		
• Material weakness (es) identified?	__ Yes	X No
• Significant deficiency (ies) identified?	__ Yes	X None Reported
Non-compliance 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 auditor's report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	__ Yes	X No

Identification of major federal programs:

CFDA Number/Grant/Contract Number	Name of Federal Program
98.U02	Malawi Organized Network of Services for Everyone
98.U04	President's Malaria Initiative Nigeria IDIQ

Dollar threshold used to distinguish between Type A and Type B programs:	$2,802,228	
Auditee qualified as low-risk auditee?	X Yes	__ No

Section 2. Financial Statements Finding

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards ("GAGAS").

Section 3. Federal Award Findings and Questioned Costs

None noted.

Section 4. Prior Year Federal Award Findings and Questioned Costs

Finding Number: 2019-001: Procurement
Federal Program
USAID Foreign Assistance for Programs Overseas
CFDA #: 98.001
Grant Award Numbers:
AID-612-C-17-00001
United States Agency for International Development

Current Year Status:
As of December 31, 2019, the donor was paid for the losses, MSH reinforced the procurement procedures of its Property Management Manual and conducted interactive trainings on Procurement Management Manual. Accordingly, the corrective remedial action is completed.

Finding Number: 2019-002: Equipment and Real Property Management
Federal Program(s)
USAID Foreign Assistance for Programs Overseas
CFDA Number: 98.001
Grant Award #:
Bangladesh grant
AID-OAA-A-aa-00021 (A227)
100303.001.007.006.001, Prime Agreement # AID-OAA-A-14-00045 (A474)
4353-MSH-01Feb17, Prime Agreement # AID-654-A-17-00003 (A525)
United States Agency for International Development

Current Year Status:
MSH implemented standard templates which allow online capabilities to reinforce controls around updates, approvals, and centralized visibility and oversight. These equipment inventory templates across all MSH operations, worldwide, are recorded and tracked on a uniform standard template which includes all the required information per 2 CFR 200.