

**FINANCIAL STATEMENTS**



**AMERICAN INTERNATIONAL  
HEALTH ALLIANCE, INC.**

**FOR THE YEAR ENDED SEPTEMBER 30, 2012  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2011**

**AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.**

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# GELMAN, ROSENBERG

## & FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



### INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
American International Health Alliance, Inc.  
Washington, D.C.

We have audited the accompanying statement of financial position of the American International Health Alliance, Inc. (AIHA) as of September 30, 2012, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of AIHA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from AIHA's 2011 financial statements and, in our report dated April 18, 2012, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of AIHA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AIHA as of September 30, 2012, and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2013 on our consideration of AIHA'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

March 5, 2013

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## AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

**STATEMENT OF FINANCIAL POSITION  
AS OF SEPTEMBER 30, 2012  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 181,427	\$ 134,293
Regional office advances (Note 4)	677,992	584,590
Subgrant advances	305,430	195,075
Grants receivable	408,402	477,810
Accounts receivable	19,004	1,198
Travel advances	27,470	12,367
Prepaid expenses	188,231	63,505
Leasehold improvements, net of accumulated amortization of \$19,458 and \$1,251 at September 30, 2012 and 2011, respectively	41,623	58,049
Deposits	<u>36,445</u>	<u>34,852</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,886,024</u></b>	<b><u>\$ 1,561,739</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 706,666	\$ 598,403
Refundable advances	241,688	-
Accrued vacation	208,837	224,018
Deferred rent	<u>51,034</u>	<u>71,008</u>
Total liabilities	<u>1,208,225</u>	<u>893,429</u>
<b>NET ASSETS</b>		
Unrestricted	<u>677,799</u>	<u>668,310</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,886,024</u></b>	<b><u>\$ 1,561,739</u></b>

See accompanying notes to financial statements.

## AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011**

	<u>Unrestricted</u>	
	<u>2012</u>	<u>2011</u>
<b>REVENUE</b>		
U.S. Government grants (Notes 4 and 7)	\$ 13,914,366	\$ 13,562,352
In-kind contributions (Note 5)	8,305,578	6,362,298
Contracts	244,481	703,375
Contributions	9,185	13,151
Interest (net of payments to government agencies)	464	115
(Loss) gain on foreign currency exchange	<u>(74)</u>	<u>223</u>
Total revenue	<u>22,474,000</u>	<u>20,641,514</u>
<b>EXPENSES (Note 6)</b>		
Program Services:		
Operations	12,520,505	12,506,924
In-Kind (Note 5)	<u>8,305,578</u>	<u>6,362,298</u>
Total program services	<u>20,826,083</u>	<u>18,869,222</u>
Supporting Services:		
Management and General	<u>1,638,428</u>	<u>1,770,258</u>
Total expenses	<u>22,464,511</u>	<u>20,639,480</u>
Change in net assets	9,489	2,034
Net assets at beginning of year	<u>668,310</u>	<u>666,276</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><b>\$ 677,799</b></u>	<u><b>\$ 668,310</b></u>

## AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2012  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011**

	2012				2011	
	Program Services				Total	
	Operations	In-Kind (Note 5)	Total Program Services	Management and General	Total Expenses	Total Expenses
U.S. salaries and wages	\$ 1,268,961	\$ 3,459,531	\$ 4,728,492	\$ 634,344	\$ 5,362,836	\$ 4,719,531
Fringe benefits (Note 3)	689,274	1,383,812	2,073,086	344,563	2,417,649	2,179,031
Local staff salaries	887,048	-	887,048	-	887,048	823,786
Local staff benefits	559,584	-	559,584	-	559,584	549,780
Printing and production	229,306	-	229,306	4,902	234,208	159,637
Professional fees	18,967	-	18,967	20,575	39,542	82,377
Office rent and utilities (Note 2)	327,608	-	327,608	307,981	635,589	728,456
Accounting/audit	35,673	-	35,673	44,719	80,392	115,651
Insurance	-	-	-	19,000	19,000	18,375
Amortization	-	-	-	18,207	18,207	1,251
Telephone	106,902	-	106,902	48,885	155,787	143,847
Travel and travel-related expenses	3,164,604	-	3,164,604	8,514	3,173,118	3,812,040
Subcontractors and consultants	3,877,393	-	3,877,393	99,194	3,976,587	3,615,252
Postage and delivery	89,051	-	89,051	2,006	91,057	74,581
Repairs and maintenance	21,177	-	21,177	6,063	27,240	51,816
Furniture and equipment	432,296	-	432,296	19,996	452,292	537,556
Subscriptions and publications	65,757	-	65,757	2,260	68,017	58,866
Business meetings expense	232,057	-	232,057	5,465	237,522	312,643
Interpreters	61,990	-	61,990	179	62,169	79,661
Bank fees	23,477	-	23,477	3,046	26,523	27,934
Hall/room rental	149,024	-	149,024	17,263	166,287	121,059
Hospital partner equipment	-	1,287,811	1,287,811	-	1,287,811	485,296
Electronic mail/internet	58,681	-	58,681	15,139	73,820	99,963
Temporary services	-	-	-	-	-	6,774
Office supplies	47,424	-	47,424	9,158	56,582	65,621
Partnership direct support, including related travel	-	2,174,424	2,174,424	-	2,174,424	1,672,473
Training and conferences	122,432	-	122,432	6,969	129,401	61,488
Other costs	4,432	-	4,432	-	4,432	10,104
Value added tax	47,387	-	47,387	-	47,387	24,631
<b>TOTAL</b>	<b>\$12,520,505</b>	<b>\$8,305,578</b>	<b>\$20,826,083</b>	<b>\$ 1,638,428</b>	<b>\$22,464,511</b>	<b>\$20,639,480</b>

See accompanying notes to financial statements.

## AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011**

	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 9,489	\$ 2,034
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization	18,207	1,251
(Increase) decrease in:		
Regional office advances	(93,402)	(156,294)
Subgrant advances	(110,355)	112,402
Grants receivable	69,408	300,377
Accounts receivable	(17,806)	7,318
Travel advances	(15,103)	1,570
Prepaid expenses	(124,726)	1,492
Deposits	(1,593)	900
Increase (decrease) in:		
Accounts payable and accrued expenses	108,263	(267,478)
Refundable advances	241,688	-
Accrued vacation	(15,181)	17,434
Deferred rent	(19,974)	71,008
Net cash provided by operating activities	<u>48,915</u>	<u>92,014</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of leasehold improvements	<u>(1,781)</u>	<u>(59,300)</u>
Net cash used by investing activities	<u>(1,781)</u>	<u>(59,300)</u>
Net increase in cash and cash equivalents	47,134	32,714
Cash and cash equivalents at beginning of year	<u>134,293</u>	<u>101,579</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 181,427</b>	<b>\$ 134,293</b>

See accompanying notes to financial statements.

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**AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

Organization -

The American International Health Alliance, Inc. (AIHA) was incorporated on April 16, 1992, under the statutes of the State of Delaware. AIHA was organized to provide an institutional framework for the successful development and support of hospital partnerships between the United States and other countries.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with AIHA's financial statements for the year ended September 30, 2011, from which the summarized information was derived.

Cash and cash equivalents -

AIHA considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

At times during the year, AIHA maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") provides temporary unlimited deposit insurance coverage for non-interest bearing transaction accounts at all Federal Deposit Insurance Corporation (FDIC) - insured depository institutions (the "Dodd-Frank Deposit Insurance Provision"). AIHA maintains a portion of its cash balances at financial institutions in non-interest bearing accounts; thereby, all of these cash balances are protected by the FDIC under this Act.

Cash and cash equivalents represent cash held in various financial institutions.

AIHA had \$677,992 of cash and cash equivalents held in foreign countries at September 30, 2012. The majority of funds held in foreign countries are uninsured. Such amount is shown under regional office advances in the accompanying Statement of Financial Position.

Accounts receivable -

Accounts receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Office furniture and equipment -

All office furniture and equipment purchases are expensed in the year of purchase. Partner equipment purchased with grant funds becomes the property of AIHA's hospital partners upon the completion of the grant, subject to donor approval, and is expensed in the year purchased.



AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

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

Leasehold improvements -

Leasehold improvements in excess of \$5,000 are capitalized and stated at cost. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred.

Income tax status -

AIHA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. AIHA is not a private foundation.

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended September 30, 2012, AIHA has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. AIHA files income tax and informational returns in the United States Federal and District of Columbia jurisdictions. These returns are generally subject to examination by tax authorities for the last three years. The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Net asset classification -

Unrestricted net assets include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of AIHA and include both internally designated and undesignated resources.

Grants and contributions -

AIHA reports gifts of cash and other assets as temporarily restricted if they are received with donor-stipulations that limit the use of the assets. When a stipulated time restriction ends, or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions in the Statement of Activities and Change in Net Assets.

Unrestricted contributions and grants are reported as revenue in the year in which unconditional promises are made.

AIHA receives funding under grants and contracts from the U.S. and foreign governments, international organizations and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

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

Grants and contributions (continued) -

Grants and support receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Grant funding received in advance of incurring the related expenses is recorded as refundable advances.

Use of estimates -

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

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

In-kind contributions -

In-kind contributions consisted primarily of project equipment, supplies and pharmaceuticals and labor donated to AIHA's programs. All in-kind contributions have been recorded at their estimated market value as of the date of the gift or service (see Note 5).

2. LEASE COMMITMENT

During 2007, AIHA entered into a lease agreement for office space in the District of Columbia. The lease was scheduled to expire in 2012, but was amended in February 2011 to list AIHA as a sublessee and extend the term of the agreement through 2014. AIHA also leases office space in numerous foreign countries under various lease agreements. All of the foreign country leases, except for the Dar es Salaam office, are on one year contracts. The leases provide for annual increases in rent.

At September 30, 2012, the future minimum payments for the D.C. office lease and the field office leases were as follows:

Year Ending September 30,

2013	\$ 524,101
2014	431,499
2015	<u>94,441</u>
	<b><u>\$1,050,041</u></b>

**AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**2. LEASE COMMITMENT (Continued)**

Total rent expense for the D.C. office for 2012 was \$327,608. Total rent expense for the field offices for 2012 was \$307,981.

**3. PENSION PLAN**

AIHA has a defined contribution retirement plan, covering all employees who have worked for AIHA for three months and are at least 21 years of age. In 2012, AIHA matched up to 5% dollar-for-dollar on employee contributions each payroll, with a discretionary match of 5% on December 31, pending management approval. Contribution expense for the year ended September 30, 2012 was \$201,639.

**4. CONTINGENCIES**

- Grants from U.S. Government agencies are subject to audit under the provisions of OMB Circular A-133. The ultimate determination of amounts received under such grants is based upon allowable costs reported to and accepted by the granting agencies as a result of the audits. Audits in accordance with the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2012. Until such audits have been accepted by granting agencies, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.
- AIHA provides services and maintains bank accounts in numerous foreign countries. The future results of those services could be adversely affected by a number of potential factors such as currency devaluations or changes in political climate. As of September 30, 2012, AIHA had cash in various countries totaling \$677,992, which represents approximately 36% of AIHA's total assets.

**5. IN-KIND CONTRIBUTIONS**

AIHA's United States partners contribute substantial resources to AIHA's Health Care Partnership program. These donated resources include the hours donated by healthcare professionals, medical supplies and equipment. These items are reflected in the accompanying financial statements at their estimated market value.

In addition, AIHA's health care partners receive substantial contributions of medical equipment and pharmaceuticals directly from AIHA's partners. The estimated value of such donations totaled \$8,305,578 for 2012.

**6. FUNCTIONAL COSTS**

The costs of providing various programs and other activities have been summarized below on a functional basis. Accordingly, certain costs have been allocated among the programs benefited.

**AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**6. FUNCTIONAL COSTS (Continued)**

Program services, in-kind and management and general expenses for the year ended September 30, 2012 are as follows:

	<u>Operations</u>	<u>In-Kind</u>	<u>Management and General</u>	<u>Total</u>
HRSA - Twinning Center	\$ 10,270,792	\$ 6,405,326	\$ 1,282,065	\$ 17,958,183
MedInform	62,550	-	9,908	72,458
Unrestricted	498	-	76	574
ViiV	10,912	-	1,728	12,640
ViiV	23,929	-	3,790	27,719
USAID - Kosovo	481,500	1,887,576	76,272	2,445,348
WHO - Belarus	16,813	-	2,663	19,476
USAID - Russia SPHI	2,998	12,676	475	16,149
USAID - Russia PHE	34,307	-	5,434	39,741
WHO - Russia	40,731	-	6,451	47,182
CDC	806	-	128	934
USAID - Central Asia	(331)	-	(52)	(383)
USAID - Georgia HME	(154)	-	(24)	(178)
USAID - Russia	(253)	-	(40)	(293)
USAID - Russia SHPI Follow-on	1,528,111	-	242,061	1,770,172
USAID - Russia PHE Development	497	-	79	576
Age Quod Agis	585	-	93	678
UNFPA Turkmenistan	11,160	-	1,768	12,928
UNDP Russia	21,126	-	3,347	24,473
WHO - Turkmenistan	<u>13,928</u>	<u>-</u>	<u>2,206</u>	<u>16,134</u>
	<b><u>\$ 12,520,505</u></b>	<b><u>\$ 8,305,578</u></b>	<b><u>\$ 1,638,428</u></b>	<b><u>\$ 22,464,511</u></b>

**7. ECONOMIC DEPENDENCY**

Approximately 98% of AIHA's revenue (excluding in-kind contributions) for the year ended September 30, 2012 was derived from cooperative agreements awarded directly by the United States Government.

AIHA has no reason to believe that its relationship with the United States Government will be discontinued in the foreseeable future; however, any interruption of this relationship (i.e., the failure to renew agreements or withholding of funds) would adversely affect AIHA's ability to finance ongoing operations.

**8. SUBSEQUENT EVENTS**

In preparing these financial statements, AIHA has evaluated events and transactions for potential recognition or disclosure through March 5, 2013, the date the financial statements were issued.