

FINANCIAL STATEMENTS



**AMERICAN INTERNATIONAL
HEALTH ALLIANCE, INC.**

**FOR THE YEAR ENDED SEPTEMBER 30, 2013
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2012**

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the American International Health Alliance, Inc. (AIHA), which comprise the statement of financial position as of September 30, 2013, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AIHA as of September 30, 2013, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited AIHA's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 5, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

April 28, 2014

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 298,337	\$ 181,427
Regional office advances (Note 4)	673,762	677,992
Subgrant advances	92,392	305,430
Grants receivable	442,892	408,402
Accounts receivable	12,383	19,004
Travel advances	5,317	27,470
Prepaid expenses	132,600	188,231
Leasehold improvements, net of accumulated amortization of \$37,957 and \$19,458 at September 30, 2013 and 2012, respectively	23,124	41,623
Deposits	<u>34,156</u>	<u>36,445</u>
TOTAL ASSETS	\$ <u>1,714,963</u>	\$ <u>1,886,024</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 775,086	\$ 653,383
Refundable advances	-	241,688
Accrued vacation	238,005	262,120
Deferred rent	<u>21,222</u>	<u>51,034</u>
Total liabilities	<u>1,034,313</u>	<u>1,208,225</u>
NET ASSETS		
Unrestricted	<u>680,650</u>	<u>677,799</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,714,963</u>	\$ <u>1,886,024</u>

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012

	<u>Unrestricted</u>	
	<u>2013</u>	<u>2012</u>
REVENUE		
U.S. Government grants and contracts (Notes 4 and 7)	\$ 13,819,957	\$ 13,914,366
In-kind contributions (Note 5)	4,845,273	8,305,578
Contracts	127,363	244,481
Contributions	9,431	9,185
Interest and other	<u>51</u>	<u>390</u>
Total revenue	<u>18,802,075</u>	<u>22,474,000</u>
EXPENSES (Note 6)		
Program Services:		
Operations	12,227,239	12,520,505
In-Kind (Note 5)	<u>4,845,273</u>	<u>8,305,578</u>
Total program services	<u>17,072,512</u>	<u>20,826,083</u>
Supporting Services:		
Management and General	<u>1,726,712</u>	<u>1,638,428</u>
Total expenses	<u>18,799,224</u>	<u>22,464,511</u>
Change in net assets	2,851	9,489
Net assets at beginning of year	<u>677,799</u>	<u>668,310</u>
NET ASSETS AT END OF YEAR	<u>\$ 680,650</u>	<u>\$ 677,799</u>

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012**

	2013				2012	
	Program Services					
	Operations	In-Kind (Note 5)	Total Program Services	Management and General	Total Expenses	Total Expenses
U.S. salaries and wages	\$ 1,337,155	\$2,071,923	\$ 3,409,078	\$ 645,030	\$ 4,054,108	\$ 5,362,836
Fringe benefits (Note 3)	700,590	828,769	1,529,359	336,133	1,865,492	2,417,649
Local staff salaries	689,405	-	689,405	-	689,405	887,048
Local staff benefits	546,966	-	546,966	8	546,974	559,584
Printing and production	73,337	-	73,337	6,212	79,549	234,208
Professional fees	76,363	-	76,363	17,888	94,251	39,542
Office rent and utilities (Note 2)	243,507	-	243,507	307,981	551,488	635,589
Accounting/audit	37,700	-	37,700	48,382	86,082	80,392
Insurance	-	-	-	33,798	33,798	19,000
Amortization	-	-	-	18,499	18,499	18,207
Telephone	85,918	-	85,918	47,728	133,646	155,787
Travel and travel-related expenses	3,023,070	-	3,023,070	6,708	3,029,778	3,173,118
Sub-recipients	4,117,019	-	4,117,019	113,166	4,230,185	3,976,587
Postage and delivery	49,401	-	49,401	2,998	52,399	91,057
Repairs and maintenance	85,601	-	85,601	8,542	94,143	27,240
Furniture and equipment	605,273	-	605,273	61,230	666,503	452,292
Subscriptions and publications	37,174	-	37,174	8,444	45,618	68,017
Business meetings expense	206,439	-	206,439	8,780	215,219	237,522
Interpreters	42,178	-	42,178	46	42,224	62,169
Bank fees	22,035	-	22,035	6,454	28,489	26,523
Hall/room rental	78,615	-	78,615	17,095	95,710	166,287
Hospital partner equipment	-	768,468	768,468	-	768,468	1,287,811
Electronic mail/internet	48,488	-	48,488	15,668	64,156	73,820
Office supplies	67,165	-	67,165	13,479	80,644	56,582
Partnership direct support, including related travel	-	1,176,113	1,176,113	-	1,176,113	2,174,424
Training and conferences	32,701	-	32,701	2,443	35,144	129,401
Other costs	-	-	-	-	-	4,432
Value added tax	21,139	-	21,139	-	21,139	47,387
TOTAL	\$12,227,239	\$4,845,273	\$17,072,512	\$ 1,726,712	\$18,799,224	\$22,464,511

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,851	\$ 9,489
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization	18,499	18,207
(Increase) decrease in:		
Regional office advances	4,230	(93,402)
Subgrant advances	213,038	(110,355)
Grants receivable	(34,490)	69,408
Accounts receivable	6,621	(17,806)
Travel advances	22,153	(15,103)
Prepaid expenses	55,631	(124,726)
Deposits	2,289	(1,593)
Increase (decrease) in:		
Accounts payable and accrued expenses	121,703	108,263
Refundable advances	(241,688)	241,688
Accrued vacation	(24,115)	(15,181)
Deferred rent	<u>(29,812)</u>	<u>(19,974)</u>
Net cash provided by operating activities	<u>116,910</u>	<u>48,915</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of leasehold improvements	<u>-</u>	<u>(1,781)</u>
Net cash used by investing activities	<u>-</u>	<u>(1,781)</u>
Net increase in cash and cash equivalents	116,910	47,134
Cash and cash equivalents at beginning of year	<u>181,427</u>	<u>134,293</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 298,337</u>	<u>\$ 181,427</u>

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

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, 2012, 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.

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

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

AIHA had \$673,762 of cash and cash equivalents held in foreign countries at September 30, 2013. 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.

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.

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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

Income taxes -

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 -

For the year ended September 30, 2013, AIHA has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

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.

Grants 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.

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).

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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

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.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

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 and Pretoria offices, are on one year contracts. The leases provide for annual increases in rent.

At September 30, 2013, the future minimum payments for the D.C. office lease and the field office leases were as follows:

Year Ending September 30,

2014	\$ 446,970
2015	108,814
2016	<u>25,756</u>
	<u>\$ 581,540</u>

Total occupancy expense for the D.C. office for 2013 was \$307,981. Total occupancy expense for the field offices for 2013 was \$243,507.

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 2013, AIHA matched up to 5% dollar-for-dollar on employee contributions each payroll, with a discretionary match of 3.5% on December 31, pending management approval. Contribution expense for the year ended September 30, 2013 was \$159,316.

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

4. CONTINGENCIES

- AIHA receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of OMB Circular A-133. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government 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 2013. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material 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, 2013, AIHA had cash in various countries totaling \$673,762, which represents approximately 39% 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 \$4,845,273 for 2013.

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.

Program services, in-kind and management and general expenses for the year ended September 30, 2013 are as follows:

	<u>Operations</u>	<u>In-Kind</u>	<u>Management and General</u>	<u>Total</u>
HRSA - Twinning Center	\$ 9,950,059	\$ 3,790,631	\$ 1,360,436	\$ 15,101,126
USAID - Kosovo	535,130	1,054,642	89,212	1,678,984
CDC	1,233,233	-	176,474	1,409,707
USAID - Russia SHPI Follow-on	384,204	-	68,563	452,767
ViiV	60,878	-	10,826	71,704
Age Quod Agis	32,651	-	5,807	38,458
Save the Children	14,123	-	2,512	16,635
WHO - Russia	10,574	-	1,881	12,455
USAID - Russia PHE Development	5,104	-	907	6,011
BMS	3,898	-	693	4,591
Unrestricted	(34)	-	9,859	9,825
UNFPA Turkmenistan	<u>(2,581)</u>	<u>-</u>	<u>(458)</u>	<u>(3,039)</u>
	<u>\$ 12,227,239</u>	<u>\$ 4,845,273</u>	<u>\$ 1,726,712</u>	<u>\$ 18,799,224</u>

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

7. ECONOMIC DEPENDENCY

Approximately 99% of AIHA's revenue (excluding in-kind contributions) for the year ended September 30, 2013 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 April 28, 2014, the date the financial statements were issued.