

**FINANCIAL STATEMENTS**



**AMERICAN INTERNATIONAL  
HEALTH ALLIANCE, INC.**

**FOR THE YEAR ENDED SEPTEMBER 30, 2014  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2013**

**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, 2014, 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, 2014, 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.

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814  
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRFPCA.COM

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### Report on Summarized Comparative Information

We have previously audited AIHA's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 28, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Gelman Rosenberg & Friedman*

April 13, 2015

**AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF SEPTEMBER 30, 2014**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

**ASSETS**

<b>ASSETS</b>	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 225,916	\$ 298,337
Regional office advances (Note 4)	230,987	673,762
Subgrant advances	220,051	92,392
Grants receivable	495,291	442,892
Accounts receivable	6,356	12,383
Travel advances	57,414	5,317
Prepaid expenses	114,461	132,600
Leasehold improvements, net of accumulated amortization of \$56,456 and \$37,957 at September 30, 2014 and 2013, respectively	4,625	23,124
Deposits	<u>35,998</u>	<u>34,156</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,391,099</u></b>	<b><u>\$ 1,714,963</u></b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable and accrued expenses	\$ 486,193	\$ 775,086
Accrued vacation	236,145	238,005
Deferred rent	<u>-</u>	<u>21,222</u>
Total liabilities	<u>722,338</u>	<u>1,034,313</u>

**NET ASSETS**

Unrestricted	<u>668,761</u>	<u>680,650</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,391,099</u></b>	<b><u>\$ 1,714,963</u></b>

**AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	<u>Unrestricted</u>	
	<u>2014</u>	<u>2013</u>
<b>REVENUE</b>		
U.S. Government grants and contracts (Notes 4 and 7)	\$ 12,479,903	\$ 13,819,957
In-kind contributions (Note 5)	4,341,955	4,845,273
Contracts	-	127,363
Contributions	263	9,431
Interest and other	<u>52</u>	<u>877</u>
Total revenue	<u>16,822,173</u>	<u>18,802,901</u>
<b>EXPENSES (Note 6)</b>		
Program Services:		
Operations	10,905,218	12,227,239
In-kind (Note 5)	<u>4,341,955</u>	<u>4,845,273</u>
Total program services	<u>15,247,173</u>	<u>17,072,512</u>
Supporting Services:		
Management and General	<u>1,586,889</u>	<u>1,727,538</u>
Total expenses	<u>16,834,062</u>	<u>18,800,050</u>
Change in net assets	(11,889)	2,851
Net assets at beginning of year	<u>680,650</u>	<u>677,799</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 668,761</u></b>	<b><u>\$ 680,650</u></b>

## AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	2014				2013	
	Program Services			Management and General	Total Expenses	Total Expenses
	Operations	In-Kind (Note 5)	Total Program Services			
U.S. salaries and wages	\$ 1,358,009	\$ 2,570,519	\$ 3,928,528	\$ 796,078	\$ 4,724,606	\$ 4,054,108
Fringe benefits (Note 3)	684,215	801,415	1,485,630	401,064	1,886,694	1,865,492
Local staff salaries	677,349	-	677,349	-	677,349	689,405
Local staff benefits	380,972	-	380,972	-	380,972	546,974
Printing and production	49,123	-	49,123	5,382	54,505	79,549
Professional fees and consultants	671,418	-	671,418	195,333	866,751	1,075,253
Office rent and utilities (Note 2)	226,828	-	226,828	310,583	537,411	551,488
Accounting/audit	87,298	-	87,298	800	88,098	86,082
Insurance	-	-	-	15,895	15,895	33,798
Amortization	-	-	-	18,499	18,499	18,499
Telephone	84,829	-	84,829	41,678	126,507	133,646
Travel and travel-related expenses	2,570,099	-	2,570,099	3,889	2,573,988	3,029,778
Sub-recipients	2,750,911	-	2,750,911	-	2,750,911	3,249,183
Postage and delivery	30,058	-	30,058	1,951	32,009	52,399
Repairs and maintenance	51,503	-	51,503	4,939	56,442	94,143
Furniture and equipment	468,622	-	468,622	7,045	475,667	666,503
Subscriptions and publications	9,267	-	9,267	10,611	19,878	45,618
Business meetings expense	171,770	-	171,770	7,266	179,036	215,219
Interpreters	63,082	-	63,082	-	63,082	42,224
Bank fees	26,043	-	26,043	6,289	32,332	29,315
Hall/room rental	56,395	-	56,395	14,596	70,991	95,710
Hospital partner equipment	-	21,336	21,336	-	21,336	768,468
Electronic mail/internet	76,330	-	76,330	22,947	99,277	64,156
Office supplies	31,723	-	31,723	12,345	44,068	80,644
Partnership direct support, including related travel	-	948,685	948,685	-	948,685	1,176,113
Training and conferences	49,057	-	49,057	9,744	58,801	35,144
Value added tax	30,272	-	30,272	-	30,272	21,139
Sub-total	10,605,173	4,341,955	14,947,128	1,886,934	16,834,062	18,800,050
Facilities reclassification	300,045	-	300,045	(300,045)	-	-
<b>TOTAL</b>	<b>\$10,905,218</b>	<b>\$4,341,955</b>	<b>\$15,247,173</b>	<b>\$ 1,586,889</b>	<b>\$16,834,062</b>	<b>\$18,800,050</b>

See accompanying notes to financial statements.

**AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (11,889)	\$ 2,851
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Amortization	18,499	18,499
(Increase) decrease in:		
Regional office advances	442,775	4,230
Subgrant advances	(127,659)	213,038
Grants receivable	(52,399)	(34,490)
Accounts receivable	6,027	6,621
Travel advances	(52,097)	22,153
Prepaid expenses	18,139	55,631
Deposits	(1,842)	2,289
Increase (decrease) in:		
Accounts payable and accrued expenses	(288,893)	121,703
Refundable advances	-	(241,688)
Accrued vacation	(1,860)	(24,115)
Deferred rent	(21,222)	(29,812)
Net cash (used) provided by operating activities	(72,421)	116,910
Net (decrease) increase in cash and cash equivalents	(72,421)	116,910
Cash and cash equivalents at beginning of year	298,337	181,427
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 225,916</b>	<b>\$ 298,337</b>



**AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**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, 2013, 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 \$230,987 of cash and cash equivalents held in foreign countries at September 30, 2014. 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, 2014

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, 2014, 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, 2014

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. During November 2014, AIHA entered into a new lease for 7 years and one month. 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, 2014, the future minimum payments for the D.C. office leases and the field office leases were as follows:

Year Ending September 30,

2015	\$ 259,680
2016	234,005
2017	239,855
2018	245,851
2019	251,998
Thereafter	<u>627,894</u>
	<b><u>\$1,859,283</u></b>

Total occupancy expense for the D.C. office for 2014 was \$310,583. Total occupancy expense for the field offices for 2014 was \$226,828.

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 2014, 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, 2014 was \$190,239.

**AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**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 2014. 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, 2014, AIHA had cash and advance balances in various countries totaling \$230,987, which represents approximately 17% 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 \$4,341,955 for 2014.

**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, 2014 are as follows:

	<u>Operations</u>	<u>In-Kind</u>	<u>Management and General</u>	<u>Total</u>
HRSA - Twinning Center	\$ 8,467,768	\$ 4,341,955	\$ 1,301,591	\$ 14,111,314
CDC	2,174,948	-	236,323	2,411,271
Save the Children	253,055	-	46,218	299,273
Program services not covered by a donor	9,447	-		9,447
Unrestricted	-	-	2,757	2,757
	<u>\$ 10,905,218</u>	<u>\$ 4,341,955</u>	<u>\$ 1,586,889</u>	<u>\$ 16,834,062</u>

**AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**7. ECONOMIC DEPENDENCY**

Approximately 100% of AIHA's revenue (excluding in-kind contributions) for the year ended September 30, 2014 was derived from grants and contracts 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 13, 2015, the date the financial statements were issued.