

FINANCIAL STATEMENTS



**AMERICAN INTERNATIONAL
HEALTH ALLIANCE, INC.**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2014**

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, 2015, 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, 2015, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 28, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

May 2, 2016

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
ASSETS		
Cash and cash equivalents	\$ 215,316	\$ 225,916
Regional office advances (Note 4)	282,062	230,987
Subgrant advances	20,328	220,051
Grants receivable	625,034	495,291
Accounts receivable	47,301	6,356
Travel advances	33,071	57,414
Prepaid expenses	71,875	114,461
Leasehold improvements, net of accumulated amortization of \$56,456 at September 30, 2014	-	4,625
Deposits	<u>70,252</u>	<u>35,998</u>
TOTAL ASSETS	<u>\$ 1,365,239</u>	<u>\$ 1,391,099</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 487,897	\$ 486,193
Accrued vacation	<u>209,653</u>	<u>236,145</u>
Total liabilities	<u>697,550</u>	<u>722,338</u>
NET ASSETS		
Unrestricted	<u>667,689</u>	<u>668,761</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,365,239</u>	<u>\$ 1,391,099</u>

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

	Unrestricted	
	2015	2014
REVENUE		
U.S. Government grants and contracts (Notes 4 and 7)	\$ 9,784,483	\$ 12,479,903
In-kind contributions (Note 5)	2,266,575	4,341,955
Contracts	532,355	-
Contributions	6,190	263
Interest and other	151	52
Total revenue	<u>12,589,754</u>	<u>16,822,173</u>
EXPENSES (Note 6)		
Program Services:		
Operations	8,503,288	10,905,218
In-kind (Note 5)	<u>2,266,575</u>	<u>4,341,955</u>
Total program services	<u>10,769,863</u>	<u>15,247,173</u>
Supporting Services:		
Management and General	<u>1,820,963</u>	<u>1,586,889</u>
Total expenses	<u>12,590,826</u>	<u>16,834,062</u>
Change in net assets	(1,072)	(11,889)
Net assets at beginning of year	<u>668,761</u>	<u>680,650</u>
NET ASSETS AT END OF YEAR	<u>\$ 667,689</u>	<u>\$ 668,761</u>

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

	2015				2014	
	Program Services			Management and General	Total Expenses	Total Expenses
	Operations	In-Kind (Note 5)	Total Program Services			
U.S. salaries and wages	\$ 1,390,378	\$ 1,485,214	\$ 2,875,592	\$ 808,701	\$ 3,684,293	\$ 4,724,606
Fringe benefits (Note 3)	691,689	361,511	1,053,200	402,309	1,455,509	1,886,694
Local staff salaries	541,514	-	541,514	-	541,514	677,349
Local staff benefits	333,480	-	333,480	-	333,480	380,972
Printing and production	29,680	-	29,680	6,898	36,578	54,505
Professional fees and consultants	613,101	-	613,101	414,827	1,027,928	866,751
Office rent and utilities (Note 2)	218,379	-	218,379	279,523	497,902	537,411
Accounting/audit	58,927	-	58,927	29,969	88,896	88,098
Insurance	-	-	-	17,484	17,484	15,895
Amortization	-	-	-	4,625	4,625	18,499
Telephone	49,487	-	49,487	33,489	82,976	126,507
Travel and travel-related expenses	1,877,204	-	1,877,204	50,365	1,927,569	2,573,988
Sub-recipients	1,662,708	-	1,662,708	-	1,662,708	2,750,911
Postage and delivery	8,794	-	8,794	1,883	10,677	32,009
Repairs and maintenance	28,000	-	28,000	(7,212)	20,788	56,442
Furniture and equipment	79,634	-	79,634	91,442	171,076	475,667
Subscriptions and publications	6,313	-	6,313	6,009	12,322	19,878
Business meetings expense	162,387	-	162,387	14,599	176,986	179,036
Interpreters	97,979	-	97,979	-	97,979	63,082
Bank fees	17,554	-	17,554	4,166	21,720	32,332
Hall/room rental	56,460	-	56,460	644	57,104	70,991
Hospital partner equipment	-	1,571	1,571	-	1,571	21,336
Electronic mail/internet	60,537	-	60,537	37,593	98,130	99,277
Office supplies	27,379	-	27,379	13,858	41,237	44,068
Partnership direct support, including related travel	-	418,279	418,279	-	418,279	948,685
Training and conferences	78,705	-	78,705	3,503	82,208	58,801
Value added tax	13,373	-	13,373	-	13,373	30,272
Other	5,672	-	5,672	242	5,914	-
Sub-total	8,109,334	2,266,575	10,375,909	2,214,917	12,590,826	16,834,062
Facilities reclassification	393,954	-	393,954	(393,954)	-	-
TOTAL	\$ 8,503,288	\$ 2,266,575	\$ 10,769,863	\$ 1,820,963	\$ 12,590,826	\$ 16,834,062

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,072)	\$ (11,889)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Amortization	4,625	18,499
(Increase) decrease in:		
Regional office advances	(51,075)	442,775
Subgrant advances	199,723	(127,659)
Grants receivable	(129,743)	(52,399)
Accounts receivable	(40,945)	6,027
Travel advances	24,343	(52,097)
Prepaid expenses	42,586	18,139
Deposits	(34,254)	(1,842)
Increase (decrease) in:		
Accounts payable and accrued expenses	1,704	(288,893)
Accrued vacation	(26,492)	(1,860)
Deferred rent	<u>-</u>	<u>(21,222)</u>
Net cash used by operating activities	<u>(10,600)</u>	<u>(72,421)</u>
Net decrease in cash and cash equivalents	(10,600)	(72,421)
Cash and cash equivalents at beginning of year	<u>225,916</u>	<u>298,337</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 215,316</u>	<u>\$ 225,916</u>

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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, 2014, 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 \$282,062 of cash, cash equivalents and advances held in foreign countries at September 30, 2015. 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.

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, 2015, 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.

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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

Uncertain tax positions (continued) -

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).

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.

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

2. LEASE COMMITMENT

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, 2015, the future minimum payments for the D.C. office leases and the field office leases were as follows:

<u>Year Ending September 30,</u>	
2016	\$ 234,005
2017	239,855
2018	245,851
2019	251,998
2020	251,998
Thereafter	<u>368,214</u>
	<u>\$1,591,921</u>

Total occupancy expense for the D.C. office for 2015 was \$279,523. Total occupancy expense for the field offices for 2015 was \$218,379.

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 2015, 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, 2015 was \$153,444.

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 2015. 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, 2015, AIHA had cash and advance balances in various countries totaling \$282,062, which represents approximately 21% 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. The estimated value of such donations totaled \$2,266,575 for 2015.

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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, 2015 are as follows:

	<u>Operations</u>	<u>In-Kind</u>	<u>Management and General</u>	<u>Total</u>
HRSA - Twinning Center	\$ 6,416,487	\$ 2,266,575	\$ 1,411,871	\$ 10,094,933
CDC	1,425,347	-	243,101	1,668,448
Save the Children	229,863	-	57,814	287,677
Ministry of Healthcare and Social Development of the Republic of Kazakhstan	388,636	-	97,749	486,385
Unrestricted	-	-	10,428	10,428
Program services not covered by a donor	<u>42,955</u>	<u>-</u>	<u>-</u>	<u>42,955</u>
	<u>\$ 8,503,288</u>	<u>\$ 2,266,575</u>	<u>\$ 1,820,963</u>	<u>\$ 12,590,826</u>

7. ECONOMIC DEPENDENCY

Approximately 95% of AIHA's revenue (excluding in-kind contributions) for the year ended September 30, 2015 was derived from grants and contracts awarded by the United States Government or pass-through entities (see schedule 1).

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 May 2, 2016, the date the financial statements were issued.