

FINANCIAL STATEMENTS



**AMERICAN INTERNATIONAL
HEALTH ALLIANCE, INC.**

**FOR THE YEAR ENDED SEPTEMBER 30, 2016
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2015**

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statement of Financial Position, as of September 30, 2016, with Summarized Financial Information for 2015	4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended September 30, 2016, with Summarized Financial Information for 2015	5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended September 30, 2016, with Summarized Financial Information for 2015	6
EXHIBIT D - Statement of Cash Flows, for the Year Ended September 30, 2016, with Summarized Financial Information for 2015	7
NOTES TO FINANCIAL STATEMENTS	8 - 12

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, 2016, 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, 2016, 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.GRFCPA.COM

Report on Summarized Comparative Information

We have previously audited AIHA's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 2, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, 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".

June 22, 2017

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

ASSETS

ASSETS	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 200,080	\$ 215,316
Regional office advances	268,348	282,062
Subgrant advances	103,831	20,328
Grants receivable	1,061,756	625,034
Accounts receivable	16,242	47,301
Travel advances	68,982	33,071
Prepaid expenses	54,820	71,875
Deposits	<u>44,504</u>	<u>70,252</u>
TOTAL ASSETS	\$ <u>1,818,563</u>	\$ <u>1,365,239</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 610,783	\$ 327,565
Accrued salaries, vacation and related benefits	436,584	369,985
Deferred rent (Note 2)	<u>31,479</u>	<u>-</u>
Total liabilities	<u>1,078,846</u>	<u>697,550</u>

NET ASSETS

Unrestricted	<u>739,717</u>	<u>667,689</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,818,563</u>	\$ <u>1,365,239</u>

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	<u>Unrestricted</u>	
	<u>2016</u>	<u>2015</u>
REVENUE		
U.S. Government grants (Notes 4 and 7)	\$ 11,102,094	\$ 9,784,483
In-kind contributions (Note 5)	2,857,921	2,266,575
Contracts	61,746	532,355
Contributions	21,997	6,190
Interest and other	<u>104</u>	<u>151</u>
Total revenue	<u>14,043,862</u>	<u>12,589,754</u>
EXPENSES (Note 6)		
Program Services:		
Operations	9,066,922	8,499,246
In-kind (Note 5)	<u>2,857,921</u>	<u>2,266,575</u>
Total program services	<u>11,924,843</u>	<u>10,765,821</u>
Supporting Services:		
Management and General	<u>2,076,818</u>	<u>1,820,963</u>
Total expenses	<u>14,001,661</u>	<u>12,586,784</u>
Change in net assets before other item	42,201	2,970
OTHER ITEM		
Gain (loss) on foreign currency exchange	<u>29,827</u>	<u>(4,042)</u>
Change in net assets	72,028	(1,072)
Net assets at beginning of year	<u>667,689</u>	<u>668,761</u>
NET ASSETS AT END OF YEAR	<u>\$ 739,717</u>	<u>\$ 667,689</u>

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	2016				2015	
	Program Services		Total Program Services	Management and General	Total Expenses	Total Expenses
Operations	In-Kind (Note 5)					
U.S. salaries and wages	\$ 1,178,997	\$ 1,556,186	\$ 2,735,183	\$ 1,023,747	\$ 3,758,930	\$ 3,684,293
Fringe benefits (Note 3)	694,876	394,194	1,089,070	308,129	1,397,199	1,455,509
Local staff salaries	473,986	-	473,986	-	473,986	541,514
Local staff benefits	386,710	-	386,710	-	386,710	333,480
Printing and production	51,475	-	51,475	9,250	60,725	36,578
Professional fees and consultants	672,638	-	672,638	362,296	1,034,934	1,027,928
Office rent and utilities (Note 2)	382,695	-	382,695	144,942	527,637	497,902
Accounting/audit	48,894	-	48,894	30,592	79,486	88,896
Insurance	-	-	-	25,862	25,862	17,484
Amortization	-	-	-	-	-	4,625
Telephone	53,229	-	53,229	12,024	65,253	82,976
Travel and travel-related expenses	2,290,271	-	2,290,271	44,072	2,334,343	1,927,569
Sub-recipients	2,147,403	-	2,147,403	-	2,147,403	1,662,708
Postage and delivery	8,516	-	8,516	2,234	10,750	10,677
Repairs and maintenance	26,610	-	26,610	3,607	30,217	20,788
Furniture and equipment	172,695	-	172,695	31,574	204,269	171,076
Subscriptions and publications	5,008	-	5,008	17,015	22,023	12,322
Business meetings expense	159,749	-	159,749	8,384	168,133	176,986
Interpreters	21,337	-	21,337	-	21,337	97,979
Bank fees	13,099	-	13,099	5,156	18,255	21,720
Hall/room rental	59,801	-	59,801	1,816	61,617	57,104
Hospital partner equipment	-	207,536	207,536	-	207,536	1,571
Electronic mail/internet	53,390	-	53,390	27,848	81,238	98,130
Office supplies	55,149	-	55,149	6,435	61,584	41,237
Partnership direct support, including related travel	-	700,005	700,005	-	700,005	418,279
Training and conferences	66,918	-	66,918	9,549	76,467	82,208
Value added tax	43,476	-	43,476	-	43,476	13,373
Other	-	-	-	2,286	2,286	1,872
TOTAL	\$ 9,066,922	\$ 2,857,921	\$ 11,924,843	\$ 2,076,818	\$ 14,001,661	\$ 12,586,784

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 72,028	\$ (1,072)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Amortization	-	4,625
(Increase) decrease in:		
Regional office advances	13,714	(51,075)
Subgrant advances	(83,503)	199,723
Grants receivable	(436,722)	(129,743)
Accounts receivable	31,059	(40,945)
Travel advances	(35,911)	24,343
Prepaid expenses	17,055	42,586
Deposits	25,748	(34,254)
Increase (decrease) in:		
Accounts payable and accrued expenses	283,218	(158,628)
Accrued salaries, vacation and related benefits	66,599	133,840
Deferred rent	<u>31,479</u>	<u>-</u>
Net cash used by operating activities	<u>(15,236)</u>	<u>(10,600)</u>
Net decrease in cash and cash equivalents	(15,236)	(10,600)
Cash and cash equivalents at beginning of year	<u>215,316</u>	<u>225,916</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 200,080</u>	<u>\$ 215,316</u>

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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, 2015, 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 \$268,348 of cash, cash equivalents and advances held in foreign countries at September 30, 2016. 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.

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

Uncertain tax positions -

For the year ended September 30, 2016, 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).

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.

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

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.

New accounting pronouncement -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of AIHA's financial statements, it is not expected to alter AIHA's reported financial position.

2. LEASE COMMITMENT

During November 2014, AIHA entered into a new lease for seven years and one month. AIHA also leases office space in numerous foreign countries under various lease agreements. All of the foreign country leases are on one-year contracts. The leases provide for annual increases in rent.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Statement of Financial Position.

At September 30, 2016, the future minimum payments for the D.C. office leases were as follows:

Year Ending September 30,

2017	\$	239,855
2018		245,851
2019		251,998
2020		263,798
2021		272,226
Thereafter		<u>91,870</u>
	\$	<u>1,365,598</u>

Total occupancy expense for the D.C. office for 2016 was approximately \$250,000. The deferred rent liability was \$31,479.

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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 2016, 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, 2016 was \$106,543.

4. CONTINGENCIES

AIHA receives grants from various agencies of the United States Government. For fiscal years through September 30, 2015, such grants were subject to audit under the provisions of OMB Circular A-133.

Beginning for fiscal year ended September 30, 2016, such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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 applicable provisions have been completed for all required fiscal years through 2016. 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.

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 \$2,857,921 for 2016.

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, 2016 are as follows:

	<u>Operations</u>	<u>In-Kind</u>	<u>Management and General</u>	<u>Total</u>
HRSA - Twinning Center	\$ 7,724,844	\$ 2,857,921	\$ 1,778,185	\$ 12,360,950
CDC	1,114,717	-	229,656	1,344,373
Save the Children	185,337	-	52,302	237,639
Chemonics	9,018	-	2,545	11,563
Central Asia World Bank	19,191	-	5,415	24,606
CRS Nigeria	4,282	-	1,208	5,490
Children's Place	6,647	-	1,876	8,523
Program services not covered by a donor	2,886	-	-	2,886
Unrestricted	-	-	5,631	5,631
	<u>\$ 9,066,922</u>	<u>\$ 2,857,921</u>	<u>\$ 2,076,818</u>	<u>\$ 14,001,661</u>

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

7. ECONOMIC DEPENDENCY

Approximately 99% of AIHA's revenue (excluding in-kind contributions) for the year ended September 30, 2016 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 June 22, 2017, the date the financial statements were issued.