

**AMERICAN INTERNATIONAL  
HEALTH ALLIANCE, INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**



# AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

## CONTENTS

---

	<u>PAGE</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 - 2
<b>FINANCIAL STATEMENTS</b>	
<i>Statements of Financial Position,</i> September 30, 2017 and 2016	3
<i>Statements of Activities and Change in Net Assets,</i> Year Ended September 30, 2017	4
<i>Statement of Functional Expenses,</i> Year Ended September 30, 2017, with Summarized Financial Information for 2016	5
<i>Statement of Cash Flows,</i> Years Ended September 30, 2017 and 2016	6
<i>Notes to Financial Statements</i>	7 - 11

---

## INDEPENDENT AUDITOR'S REPORT

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

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the American International Health Alliance, Inc. ("AIHA") (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, 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, 2017, 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.

**To the Board of Directors  
American International Health Alliance, Inc.**

***Prior Period Financial Statements***

The financial statements of AIHA as of September 30, 2016 and for the year then ended were audited by other auditors, whose report dated June 22, 2017, expressed an unmodified opinion on those statements.

*Tait, Weller & Baker LLP*

**Philadelphia, Pennsylvania  
May 9, 2018**

# AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

## STATEMENTS OF FINANCIAL POSITION

September 30, 2017 and 2016

---

	<b>ASSETS</b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 695,206	\$ 200,080
Regional office advances	210,256	268,348
Sub-grant advances	205,768	103,831
Grants and contracts receivable	799,971	1,061,756
Accounts receivable	142,933	16,242
Travel advances	7,534	68,982
Prepaid expenses	118,319	54,820
Deposits	<u>71,754</u>	<u>44,504</u>
<b>TOTAL ASSETS</b>	<b><u>\$2,251,741</u></b>	<b><u>\$1,818,563</u></b>
	<b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 647,917	\$ 610,783
Accrued salaries, vacation and related benefits	443,861	436,584
Deferred grant revenue	261,833	-
Deferred rent ( <i>Note 2</i> )	<u>44,395</u>	<u>31,479</u>
Total liabilities	<u>1,398,006</u>	<u>1,078,846</u>
<b>NET ASSETS</b>		
Unrestricted	<u>853,735</u>	<u>739,717</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$2,251,741</u></b>	<b><u>\$1,818,563</u></b>

# AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

## STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For The Years Ended September 30, 2017 and 2016

	<u>Unrestricted</u>	
	<u>2017</u>	<u>2016</u>
<b>Revenue</b>		
U.S. Government grants ( <i>Note 4</i> )	\$ 10,957,586	\$ 11,102,094
In-kind contributions ( <i>Note 5</i> )	2,963,234	2,857,921
Other grants and contracts	1,462,471	61,746
Contributions	18,682	21,997
Interest and other	<u>1,106</u>	<u>104</u>
Total revenue	<u>15,403,079</u>	<u>14,043,862</u>
<b>Expenses (<i>Note 6</i>)</b>		
Program Services:		
Operations	9,935,292	9,066,922
In-kind ( <i>Note 5</i> )	<u>2,963,234</u>	<u>2,857,921</u>
Total program services	<u>12,898,526</u>	<u>11,924,843</u>
Supporting Services:		
Management and general	<u>2,397,810</u>	<u>2,076,818</u>
Total expenses	<u>15,296,336</u>	<u>14,001,661</u>
Change in net assets before other item	106,743	42,201
<b>Other Item</b>		
Gain on foreign currency exchange	<u>7,275</u>	<u>29,827</u>
Change in net assets	114,018	72,028
<b>Net Assets</b>		
Beginning of year	<u>739,717</u>	<u>667,689</u>
End of year	<u>\$ 853,735</u>	<u>\$ 739,717</u>

# AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended September 30, 2017 With Summarized Financial Information For 2016

	2017				2016	
	Program Services			Management And General	Total Expenses	Total Expenses
	Operations	In-Kind (Note 5)	Total Program Services			
U.S. salaries and wages	\$ 1,109,415	\$ 1,373,062	\$ 2,482,477	\$ 1,082,435	\$ 3,564,912	\$ 3,758,930
Fringe benefits (Note 3)	552,694	235,622	788,316	425,523	1,213,839	1,397,199
Local staff salaries	706,621	-	706,621	-	706,621	473,986
Local staff benefits	546,220	-	546,220	-	546,220	386,710
Printing and production	35,169	-	35,169	5,768	40,937	60,725
Professional fees, consultants and temporary staff	719,495	-	719,495	352,697	1,072,192	1,034,934
Office rent and utilities (Note 2)	356,925	-	356,925	143,863	500,788	527,637
Accounting/audit	8,561	-	8,561	152,864	161,425	79,486
Insurance	8,856	-	8,856	57,855	66,711	25,862
Telephone	74,869	-	74,869	13,799	88,668	65,253
Travel and travel-related expenses	2,209,077	-	2,209,077	22,576	2,231,653	2,334,343
Sub-recipients	2,655,686	-	2,655,686	-	2,655,686	2,147,403
Postage and delivery	16,281	-	16,281	1,566	17,847	10,750
Repairs and maintenance	40,917	-	40,917	3,147	44,064	30,217
Furniture and equipment	355,115	-	355,115	37,142	392,257	204,269
Subscriptions and publications	27,286	-	27,286	13,827	41,113	22,023
Business meetings expense	188,443	-	188,443	7,746	196,189	168,133
Interpreters	14,454	-	14,454	-	14,454	21,337
Bank fees	9,870	-	9,870	22,089	31,959	18,255
Hall/room rental	65,780	-	65,780	7,891	73,671	61,617
Hospital partner equipment	-	728,389	728,389	-	728,389	207,536
Electronic mail/internet	74,059	-	74,059	17,413	91,472	81,238
Office supplies	45,312	-	45,312	9,824	55,136	61,584
Partnership direct support, including related travel	-	626,161	626,161	-	626,161	700,005
Training and conferences	53,586	-	53,586	13,038	66,624	76,467
Value added tax	60,587	-	60,587	-	60,587	43,476
Other	14	-	14	6,747	6,761	2,286
	<u>\$ 9,935,292</u>	<u>\$ 2,963,234</u>	<u>\$ 12,898,526</u>	<u>\$ 2,397,810</u>	<u>\$ 15,296,336</u>	<u>\$ 14,001,661</u>

# AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

## STATEMENT OF CASH FLOWS

For The Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 114,018	\$ 72,028
Adjustments to reconcile change in net assets to net cash provided by (used in ) operating activities:		
(Increase) decrease in:		
Regional office advances	58,092	13,714
Sub-grant advances	(101,937)	(83,503)
Grants and contracts receivable	261,785	(436,722)
Accounts receivable	(126,691)	31,059
Travel advances	61,448	(35,911)
Prepaid expenses	(63,499)	17,055
Deposits	(27,250)	25,748
Increase (decrease) in:		
Accounts payable and accrued expenses	37,134	283,218
Accrued salaries, vacation and related benefits	7,277	66,599
Deferred grant revenue	261,833	-
Deferred rent	<u>12,916</u>	<u>31,479</u>
Net cash provided by (used in) operating activities	<u>495,126</u>	<u>(15,236)</u>
Net increase (decrease) in cash and cash equivalents	495,126	(15,236)
Cash and cash equivalents at beginning of year	<u>200,080</u>	<u>215,316</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 695,206</u>	<u>\$ 200,080</u>



# AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

## NOTES TO FINANCIAL STATEMENTS

September 30, 2017

---

### (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.

#### **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 approximately \$210,000 of cash held in foreign countries at September 30, 2017. 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 due to the short period to maturity. 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.

#### **CONCENTRATIONS OF CREDIT RISK**

Approximately 88% and 99% of AIHA’s revenue (excluding in-kind contributions) for the years ended September 30, 2017, and 2016, respectively, was derived from grants and contracts awarded by the United States Government or pass-through entities.

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.

# AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2017

---

### **CONTINGENCIES**

Under the terms of the U.S. Government grants, which are made based upon the acceptance by the U.S. Government of the program proposals submitted by AIHA, amounts are stipulated for both direct program costs and administrative overhead costs. The administrative overhead rate used by AIHA, while provisionally approved, is subject to review and final approval by the U.S. Government. The administrative overhead rate has been approved through September 30, 2015. Management believes that any adjustment to the 2016 and 2017 administrative overhead rates, if any, will not have a material effect on the financial position or operating results of AIHA.

### **INCOME TAXES**

AIHA has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

AIHA recognizes or derecognizes tax positions on a “more likely than not” threshold. This applies to positions taken or expected to be taken in a tax return. AIHA has reviewed the tax positions taken for each of the open tax years (2013-2015) or expected to be taken in AIHA’s 2016 tax return and has concluded it has no material uncertain tax positions. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

### **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, CONTRACTS, 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 and contracts 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 – (Continued)

September 30, 2017

---

### **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.

### **PRIOR YEAR INFORMATION**

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, 2016, from which the summarized information was derived.

### **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. 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.

# AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2017

---

### (2) LEASE COMMITMENT

In 2017, AIHA amended its existing lease (the “amended lease”) in Washington D.C. with a separate office space lease in order to expand its premises. The leases expire through April 30, 2022.

Each lease provides for monthly payments which escalate over the lives of the leases and provide for AIHA to pay its share of operating charges and real estate taxes. The amended lease grants AIHA the right to terminate both leases effective January 31, 2020 as a result of certain conditions that were met in fiscal year 2017. If AIHA elects to exercise its right, a payment to the landlord of approximately \$165,000 is payable to the landlord.

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, 2017, approximate future minimum payments for the Washington D.C. office leases were as follows:

<u>Year Ending September 30,</u>	
2018	\$ 370,000
2019	378,000
2020	393,000
2021	406,000
2022	<u>171,000</u>
	<u>\$1,718,000</u>

Total occupancy expense for the Washington D.C. office for 2017 and 2016, was approximately \$304,000 and \$250,000, respectively. The deferred rent liability was \$44,395 and \$31,479 at September 30, 2017 and 2016, respectively.

### (3) PENSION PLAN

AIHA has a defined contribution retirement plan available to all US and International employees paid from US that are at least 21 years of age. Eligible employees can participate in the plan and start contributing starting the first of the month following their date of hire. Eligible employees that contribute to AIHA’s 401(K) plan will receive a matching contribution up to 4% of their base pay. Eligible employees received an annual discretionary contribution based on a percentage of their base pay at the end of the plan year ranging from 3.5% to 5% depending on their seniority and longevity with the organization. All matching and discretionary employer contributions vest 100% immediately. Contribution expense for the years ended September 30, 2017, and 2016 was approximately \$165,200 and \$106,500, respectively.

# AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2017

---

### (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 2017. 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 \$2,963,234 and \$2,857,921 for 2017 and 2016, respectively.

### (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, 2017 are as follows:

	<u>Operations</u>	<u>In-Kind</u>	<u>Management And General</u>	<u>Total</u>
HRSA - Twinning Center	\$ 7,726,172	\$ 2,963,234	\$ 1,982,237	\$ 12,671,643
CDC	706,618	-	154,432	861,050
Save the Children	300,298	-	96,045	396,343
Chemonics	8,063	-	2,579	10,642
Gates Foundation	915,672	-	132,349	1,048,021
Takeda	277,169	-	28,031	305,200
Other	<u>1,300</u>	<u>-</u>	<u>2,137</u>	<u>3,437</u>
	<u>\$ 9,935,292</u>	<u>\$ 2,963,234</u>	<u>\$ 2,397,810</u>	<u>\$ 15,296,336</u>

### (7) SUBSEQUENT EVENTS

In preparing these financial statements, AIHA has evaluated events and transactions for potential recognition or disclosure through May 9, 2018, the date the financial statements were issued.