

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED SEPTEMBER 30, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**



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.**

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, 2018, 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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, 2018, 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

We have previously audited AIHA's 2017 financial statements and our report dated May 9, 2018 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards on page 12, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 18, 2019 on our consideration of AIHA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of AIHA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AIHA's internal control over financial reporting and compliance.

Tait, Weller & Baker LLP

**Philadelphia, Pennsylvania
June 18, 2019**

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

STATEMENTS OF FINANCIAL POSITION

September 30, 2018 And 2017

	ASSETS	<u>2018</u>	<u>2017</u>
ASSETS			
Cash and cash equivalents		\$ 2,337,255	\$ 695,206
Regional office advances		211,979	210,256
Sub-grant advances		154,631	205,768
Grants and contracts receivable		812,782	1,378,359
Accounts receivable		55,409	142,933
Travel and other advances		115,805	7,534
Prepaid expenses		199,512	118,319
Deposits		<u>78,768</u>	<u>71,754</u>
TOTAL ASSETS		<u>\$ 3,966,141</u>	<u>\$ 2,830,129</u>
	LIABILITIES AND NET ASSETS		
LIABILITIES			
Accounts payable and accrued expenses		\$ 738,979	\$ 647,917
Accrued salaries, vacation and related benefits		514,910	443,861
Government grants payable		195,129	144,403
Deferred rent and related liabilities		14,626	-
Deferred grant revenue		1,563,848	695,818
Deferred rent		<u>53,710</u>	<u>44,395</u>
Total liabilities		<u>3,081,202</u>	<u>1,976,394</u>
NET ASSETS			
Unrestricted		<u>884,939</u>	<u>853,735</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 3,966,141</u>	<u>\$ 2,830,129</u>

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For The Years Ended September 30, 2018 And 2017

	<u>2018</u>	<u>2017</u>
Revenue		
U.S. Government grants	\$ 14,304,094	\$ 10,957,586
In-kind contributions	206,730	2,963,234
Other grants and contracts	1,565,820	1,462,471
Contributions	15,548	18,682
Interest and other	<u>6,643</u>	<u>1,106</u>
Total revenue	<u>16,098,835</u>	<u>15,403,079</u>
Expenses		
Program Services:		
Operations	13,820,601	9,935,292
In-kind	<u>206,730</u>	<u>2,963,234</u>
Total program services	<u>14,027,331</u>	<u>12,898,526</u>
Supporting Services:		
Management and general	<u>2,062,122</u>	<u>2,397,810</u>
Total expenses	<u>16,089,453</u>	<u>15,296,336</u>
Change in net assets before other item	9,382	106,743
Other Item		
Gain on foreign currency exchange	<u>21,822</u>	<u>7,275</u>
Change in net assets	31,204	114,018
Unrestricted Net Assets		
Beginning of year	<u>853,735</u>	<u>739,717</u>
End of year	<u>\$ 884,939</u>	<u>\$ 853,735</u>

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended September 30, 2018 With Summarized Financial Information For 2017

	2018				2017	
	Program Services		Management And General	Total Expenses	Total Expenses	Total Expenses
	Operations	In-Kind (Note 5)				
U.S. salaries and wages	\$ 1,122,982	\$ 139,478	\$ 1,262,460	\$ 1,000,857	\$ 2,263,317	\$ 3,564,912
Fringe benefits	635,282	24,634	659,916	407,305	1,067,221	1,213,839
Local staff salaries	971,899	-	971,899	-	971,899	706,621
Local staff benefits	561,782	-	561,782	-	561,782	546,220
Printing and production	88,401	-	88,401	3,212	91,613	40,937
Professional fees, consultants and temporary staff	1,564,424	-	1,564,424	328,344	1,892,768	1,072,192
Office rent and utilities	404,624	-	404,624	153,004	557,628	500,788
Accounting/audit	(171)	-	(171)	27,000	26,829	161,425
Insurance	-	-	-	29,900	29,900	66,711
Telephone	83,396	-	83,396	11,049	94,445	88,668
Travel and travel-related expenses	2,979,732	-	2,979,732	24,124	3,003,856	2,231,653
Sub-recipients	4,117,418	-	4,117,418	-	4,117,418	2,655,686
Postage and delivery	28,791	-	28,791	4,534	33,325	17,847
Repairs and maintenance	33,777	-	33,777	700	34,477	44,064
Furniture and equipment	162,264	-	162,264	20,491	182,755	392,257
Subscriptions and publications	39,433	-	39,433	10,434	49,867	41,113
Business meetings expense	236,528	-	236,528	4,444	240,972	196,189
Interpreters	11,328	-	11,328	-	11,328	14,454
Bank fees	25,935	-	25,935	9,575	35,510	31,959
Hall/room rental	214,466	-	214,466	2,833	217,299	73,671
Hospital partner equipment	-	7,125	7,125	-	7,125	728,389
Electronic mail/internet	76,525	-	76,525	8,467	84,992	91,472
Office supplies	123,940	-	123,940	6,470	130,410	55,136
Partnership direct support, including related travel	-	35,493	35,493	-	35,493	626,161
Program materials and support	268,196	-	268,196	-	268,196	-
Training and conferences	23,450	-	23,450	6,953	30,403	66,624
Value added tax	46,195	-	46,195	-	46,195	60,587
Other	4	-	4	2,426	2,430	6,761
	<u>\$13,820,601</u>	<u>\$206,730</u>	<u>\$14,027,331</u>	<u>\$2,062,122</u>	<u>\$16,089,453</u>	<u>\$15,296,336</u>

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

STATEMENT OF CASH FLOWS

For The Years Ended September 30, 2018 And 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 31,204	\$ 114,018
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in:		
Regional office advances	(1,723)	58,092
Sub-grant advances	51,137	(101,937)
Grants and contracts receivable	616,303	(172,200)
Accounts receivable	87,524	(126,691)
Travel and other advances	(108,271)	61,448
Prepaid expenses	(81,193)	(63,499)
Deposits	(7,014)	(27,250)
Increase in:		
Accounts payable and accrued expenses	91,062	37,134
Accrued salaries, vacation and related benefits	71,049	7,277
Deferred grant and other liabilities	882,656	695,818
Deferred rent	<u>9,315</u>	<u>12,916</u>
Net cash provided by operating activities	<u>1,642,049</u>	<u>495,126</u>
Net increase in cash and cash equivalents	1,642,049	495,126
Cash and cash equivalents at beginning of year	<u>695,206</u>	<u>200,080</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$2,337,255</u>	<u>\$ 695,206</u>

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(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 \$212,000 of cash held in foreign countries at September 30, 2018. 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 90% and 88% of AIHA’s revenue (excluding in-kind contributions) for the years ended September 30, 2018, and 2017, respectively, was derived from grants and contracts awarded by the United States Government or pass-through entities.

AIHA’s most significant U.S. Government grant, that represented 84% of revenue in 2018, is due to expire on September 29, 2019. Subsequent to year end, AIHA has secured and is actively soliciting public and private grants in order to fund its ongoing operations.

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2018

CONTINGENCIES

Under the terms of the U.S. Government grants, 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, 2017. Management believes that any adjustment to the 2018 administrative overhead rate, if any, will not have a material effect on the financial position or operating results of AIHA.

AIHA receives grants from various agencies of the United States Government. 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 2018. 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. AIHA's International AIDS Education and Training Centers Technical Assistance award commenced in fiscal year 2005 and is expiring on September 29, 2019. It was noted during the year that there was a shortfall in federal cash on hand available to complete the project, and as a result, AIHA modified its budget for the remainder of the award to be in line with available resources. AIHA and the federal awarding agency are currently investigating this shortfall. The results of the project are subject to review and final closeout with the U.S. Government. As of the report date, AIHA cannot compute an estimate of loss, if any, that may result during the award's closeout.

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 (2014-2016) or expected to be taken in AIHA's 2017 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.

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2018

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*).

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.

RECLASSIFICATIONS

Certain reclassification were made to the prior year financial statements to conform to the current year presentation.

NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

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, 2018

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and determining whether a transaction is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018. The ASU should be applied using a modified prospective basis. AIHA plans to adopt the new ASU at the required implementation date.

In 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 31, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach. AIHA plans to adopt the new ASU at the required implementation date.

(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, 2018, approximate future minimum payments for the Washington D.C. office leases were as follows:

<u>Year Ending September 30,</u>	
2019	\$ 378,000
2020	393,000
2021	406,000
2022	<u>171,000</u>
	<u>\$1,348,000</u>

Total occupancy expense for the Washington D.C. office for 2018 and 2017, was approximately \$380,000 and \$304,000, respectively.

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2018

(3) GOVERNMENT GRANTS PAYABLE

Government grants payable represent amounts payable to U.S. Government agencies for amounts overdrawn on awards that have expired and are currently in the closeout period. Such awards expired between 2006 and 2018.

(4) 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 2% to 6% 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, 2018, and 2017 was approximately \$176,300 and \$165,200, respectively.

(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 \$206,730 and \$2,963,234 for 2018 and 2017, 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, 2018 are as follows:

	<u>Operations</u>	<u>In-Kind</u>	<u>Management And General</u>	<u>Total</u>
HRSA - Twinning Center	\$ 11,718,119	\$ 206,730	\$ 1,838,360	\$ 13,763,209
CDC	326,805	-	42,612	369,417
Save the Children	41,917	-	7,225	49,142
Chemonics	263,178	-	54,877	318,055
Gates Foundation	1,243,256	-	93,007	1,336,263
Takeda	205,294	-	24,263	229,557
Other	<u>22,032</u>	<u>-</u>	<u>1,778</u>	<u>23,810</u>
	<u>\$ 13,820,601</u>	<u>\$ 206,730</u>	<u>\$ 2,062,122</u>	<u>\$ 16,089,453</u>

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2018

(7) SUBSEQUENT EVENTS

In preparing these financial statements, AIHA has evaluated events and transactions for potential recognition or disclosure through June 18, 2019, the date the financial statements were issued.

Subsequent to year end, AIHA obtained a \$825,000 line of credit from a bank that expires on October 1, 2020. Interest is charged on outstanding balances at the prime rate plus .45%.