

**AMERICAN INTERNATIONAL
HEALTH ALLIANCE, INC.**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**



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, 2019, 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, 2019, 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 2018 financial statements and our report dated June 18, 2019 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, 2018, 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 15, 2020 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 15, 2020**

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

STATEMENTS OF FINANCIAL POSITION

September 30, 2019 And 2018

	ASSETS	<u>2019</u>	<u>2018</u>
ASSETS			
Cash and cash equivalents		\$2,611,771	\$2,337,255
Regional office advances		158,639	211,979
Sub-grant advances		37,981	154,631
Grants and contracts receivable		805,174	812,782
Accounts receivable		3,882	55,409
Travel and other advances		4,668	115,805
Prepaid expenses		70,039	199,512
Deposits		<u>75,969</u>	<u>78,768</u>
TOTAL ASSETS		<u>\$3,768,123</u>	<u>\$3,966,141</u>
	LIABILITIES AND NET ASSETS		
LIABILITIES			
Accounts payable and accrued expenses		\$ 76,735	\$ 738,979
Accrued salaries, vacation and related benefits		162,475	514,910
Government grants payable		195,129	195,129
Deferred rent and related liabilities		14,822	14,626
Deferred grant revenue		2,417,820	1,563,848
Deferred rent		<u>53,780</u>	<u>53,710</u>
Total liabilities		<u>2,920,761</u>	<u>3,081,202</u>
NET ASSETS			
Without donor restrictions		<u>847,362</u>	<u>884,939</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$3,768,123</u>	<u>\$3,966,141</u>

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For The Years Ended September 30, 2019 And 2018

	<u>2019</u>	<u>2018</u>
Revenue		
U.S. Government grants	\$ 8,402,697	\$14,304,094
In-kind contributions	-	206,730
Other grants and contracts	1,389,018	1,565,820
Contributions	6,772	15,548
Interest and other	<u>123,895</u>	<u>6,643</u>
Total revenue	<u>9,922,382</u>	<u>16,098,835</u>
Expenses		
Program Services:		
Operations	8,230,859	13,820,601
In-kind	<u>-</u>	<u>206,730</u>
Total program services	<u>8,230,859</u>	<u>14,027,331</u>
Supporting Services:		
Management and general	<u>1,724,805</u>	<u>2,062,122</u>
Total expenses	<u>9,955,664</u>	<u>16,089,453</u>
Change in net assets before other items	(33,282)	9,382
Other Items		
Gain (loss) on foreign currency exchange	<u>(4,295)</u>	<u>21,822</u>
Change in net assets	(37,577)	31,204
Net Assets Without Donor Restrictions		
Beginning of year	<u>884,939</u>	<u>853,735</u>
End of year	<u>\$ 847,362</u>	<u>\$ 884,939</u>

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended September 30, 2019 With Summarized Financial Information For 2018

	2019			2018
	Program Services	Management And General	Total Expenses	Total Expenses
U.S. salaries and wages	\$ 901,818	\$ 805,981	\$ 1,707,799	\$ 2,263,317
Fringe benefits	484,427	374,523	858,950	1,067,221
Local staff salaries	481,899	-	481,899	971,899
Local staff benefits	386,154	-	386,154	561,782
Printing and production	12,985	521	13,506	91,613
Professional fees, consultants and temporary staff	577,729	189,608	767,337	1,892,768
Office rent and utilities	357,451	203,781	561,232	557,628
Accounting/audit	22,362	27,000	49,362	26,829
Insurance	-	45,439	45,439	29,900
Telephone	36,843	10,767	47,610	94,445
Travel and travel-related expenses	948,255	6,731	954,986	3,003,856
Sub-recipients	3,597,819	-	3,597,819	4,117,418
Postage and delivery	10,782	3,066	13,848	33,325
Repairs and maintenance	54,222	318	54,540	34,477
Furniture and equipment	119,888	13,342	133,230	182,755
Subscriptions and publications	5,365	3,407	8,772	49,867
Business meetings expense	46,913	5,144	52,057	240,972
Interpreters	5,456	-	5,456	11,328
Bank fees	11,556	9,984	21,540	35,510
Hall/room rental	74,198	4,813	79,011	217,299
Hospital partner equipment	-	-	-	7,125
Electronic mail/internet	46,064	7,250	53,314	84,992
Office supplies	27,926	4,096	32,022	130,410
Partnership direct support and related travel	-	-	-	35,493
Program materials and support	-	-	-	268,196
Training and conferences	11,118	4,724	15,842	30,403
Value added tax	9,629	-	9,629	46,195
Other	-	4,310	4,310	2,430
	<u>\$ 8,230,859</u>	<u>\$ 1,724,805</u>	<u>\$ 9,955,664</u>	<u>\$ 16,089,453</u>

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

STATEMENT OF CASH FLOWS

For The Years Ended September 30, 2019 And 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (37,577)	\$ 31,204
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in:		
Regional office advances	53,340	(1,723)
Sub-grant advances	116,650	51,137
Grants and contracts receivable	7,608	616,303
Accounts receivable	51,527	87,524
Travel and other advances	111,137	(108,271)
Prepaid expenses	129,473	(81,193)
Deposits	2,799	(7,014)
Increase (decrease) in:		
Accounts payable and accrued expenses	(662,244)	91,062
Accrued salaries, vacation and related benefits	(352,435)	71,049
Deferred grant and other liabilities	854,168	882,656
Deferred rent	<u>70</u>	<u>9,315</u>
Net cash provided by operating activities	<u>274,516</u>	<u>1,642,049</u>
Net increase in cash and cash equivalents	274,516	1,642,049
Cash and cash equivalents at beginning of year	<u>2,337,255</u>	<u>695,206</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$2,611,771</u>	<u>\$2,337,255</u>

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

(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.

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 85% and 90% of AIHA’s revenue (excluding in-kind contributions) for the years ended September 30, 2019, and 2018, 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, which represented 78% of revenue in 2019, expired on September 29, 2019.

Subsequent to year end, AIHA secured multi-year awards from the Center for Disease Control, the United States Agency for International Development, the Gates Foundation and other private sources.

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2019

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, 2018. Management believes that any adjustment to the 2019 administrative overhead rates, 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 2019. 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 expired on September 29, 2019. It was noted during 2018 that there was a deficiency in federal cash available in the Federal Government's Payment Management System ("PMS") 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 has made the awarding agency aware of this deficiency, however, as of the report date, there has been no communication from the Federal Government on the status of their review. AIHA estimates, as of September 30, 2019, that its risk of loss on this award is limited to the receivable balance at the time the award expired which amounted to \$629,781, and is included in grants and contract receivable, and that any additional losses as a result of this matter cannot be reasonably estimated.

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 (2015 - 2017) or expected to be taken in AIHA's 2018 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

Net assets without donor restrictions include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of AIHA.

GRANTS, CONTRACTS, AND CONTRIBUTIONS

AIHA reports gifts of cash and other assets as with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions in the Statement of Activities and Change in Net Assets. 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, 2019

AIHA receives funding primarily under grants and contracts from the U.S. government, and private foundations that support the 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 revenue without donor restrictions to the extent that related expenses are incurred in compliance with the criteria stipulated in the agreements.

Grants and contracts receivable represent amounts due from the federal government and private funding sources for reimbursable expenses incurred in accordance with the grant agreements. Grant funding received in advance of incurring the related expenses is recorded as deferred grant revenue.

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 based on time and effort cost studies.

RECLASSIFICATIONS

Certain reclassifications were made to the prior year financial statements to conform to the current year 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 update addressed the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment returns. The main provisions of this guidance included the presentation of two classes of net assets versus the previously required three. This guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2019

NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

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, 2020. 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 lease (the “amended lease”) in Washington D.C. under a separate agreement to expand its available office space. 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. On May 31, 2019, AIHA elected to exercise its right to terminate the lease. Upon notifying the landlord of the election to terminate the lease, a termination fee of approximately \$165,000 became due. \$82,500 was paid prior to year-end, and the remaining balance, net of the security deposit, is due through September 30, 2020.

AIHA also leases office space in numerous foreign countries under various lease agreements. All of the foreign country leases are on one-year contracts and provide for annual increases in rent. During the fiscal year ended September 30, 2019, AIHA closed its offices in Mozambique, Tanzania, Ukraine, and Zambia as a result of the expiration of its most significant federally funded award.

Total occupancy expense for the Washington D.C. office for 2019 and 2018, was approximately \$462,000 and \$380,000, respectively.

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2019

(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. All matching employer contributions vest 100% immediately. Contribution expense for the years ended September 30, 2019, and 2018 was approximately \$93,500 and \$176,300, respectively.

(5) IN-KIND CONTRIBUTIONS

AIHA's United States partners contributed 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 for 2018. There were no such donations in 2019.

(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 and management and general expenses for the year ended September 30, 2019 are as follows:

	<u>Operations</u>	<u>Management And General</u>	<u>Total</u>
HRSA - Twinning Center	\$ 6,488,044	\$ 1,401,163	\$ 7,889,207
Gilead	22,960	8,403	31,363
Chemonics	498,819	182,570	681,389
Gates Foundation	1,220,447	96,909	1,317,356
Other	<u>589</u>	<u>35,760</u>	<u>36,349</u>
	<u>\$ 8,230,859</u>	<u>\$ 1,724,805</u>	<u>\$ 9,955,664</u>

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2019

(7) LINE OF CREDIT

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%. There were no advances on this line of credit during the year ended September 30, 2019.

(8) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

At September 30, 2019, financial assets and liquidity resources available within one year for general expenditure such as operating expenses and grant expenses, were as follows:

Financial Assets	<u>2019</u>
Cash and cash equivalents	\$2,611,771
Regional office advances	158,639
Receivables	<u>809,056</u>
Total financial assets available to management for general expenditure and grant expenses within one year	<u>\$3,579,466</u>

As part of AIHA's liquidity management, it has a practice to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

(9) SUBSEQUENT EVENTS

Subsequent events after the statement of financial position date through the date that the financial statements were available for issuance, June 15, 2020, have been evaluated in the preparation of the financial statements.