

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED SEPTEMBER 30, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**



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, 2020, 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, 2020, and the change in its net assets, functional expenses 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 2019 financial statements and our report dated June 15, 2020 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, 2019, 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 April 13, 2021 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
April 13, 2021

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

STATEMENTS OF FINANCIAL POSITION

September 30, 2020 And 2019

	ASSETS	
	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 3,813,940	\$ 2,611,771
Regional office advances	126,804	158,639
Sub-grant advances	5,147	37,981
Grants and contracts receivable	762,292	805,174
Accounts receivable	3,882	3,882
Travel and other advances	3,139	4,668
Prepaid expenses	38,390	70,039
Deposits	<u>16,195</u>	<u>75,969</u>
TOTAL ASSETS	<u>\$4,769,789</u>	<u>\$3,768,123</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 102,922	\$ 76,735
Accrued salaries, vacation and related benefits	107,341	162,475
Government grants payable	195,610	195,129
Refundable advance	8,712	-
Deferred rent and related liabilities	-	14,822
Deferred grant revenue	3,506,616	2,417,820
Deferred rent	<u>-</u>	<u>53,780</u>
Total liabilities	<u>3,921,201</u>	<u>2,920,761</u>
NET ASSETS		
Without donor restrictions	<u>848,588</u>	<u>847,362</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$4,769,789</u>	<u>\$3,768,123</u>

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For The Years Ended September 30, 2020 And 2019

	<u>2020</u>	<u>2019</u>
Revenue		
U.S. Government grants	\$ 1,337,258	\$ 8,402,697
Other grants and contracts	3,318,214	1,389,018
Contributions	1,171	6,772
Interest and other	<u>27,368</u>	<u>123,895</u>
Total revenue	<u>4,684,011</u>	<u>9,922,382</u>
Expenses		
Program Services:		
Operations	3,835,051	8,230,859
Supporting Services:		
Management and general	<u>848,003</u>	<u>1,724,805</u>
Total expenses	<u>4,683,054</u>	<u>9,955,664</u>
Change in net assets before other items	957	(33,282)
Other Items		
Gain (loss) on foreign currency exchange	<u>269</u>	<u>(4,295)</u>
Change in net assets	1,226	(37,577)
Net Assets Without Donor Restrictions		
Beginning of year	<u>847,362</u>	<u>884,939</u>
End of year	<u>\$ 848,588</u>	<u>\$ 847,362</u>

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended September 30, 2020 With Summarized Financial Information For 2019

	2020			2019
	<u>Program Services</u>	<u>Management And General</u>	<u>Total Expenses</u>	<u>Total Expenses</u>
U.S. salaries and wages	\$ 394,621	\$ 399,128	\$ 793,749	\$ 1,707,799
Fringe benefits	186,977	236,892	423,869	858,950
Local staff salaries	57,332	-	57,332	481,899
Local staff benefits	44,250	-	44,250	386,154
Printing and production	6,208	-	6,208	13,506
Professional fees, consultants and temporary staff	269,078	45,513	314,591	767,337
Office rent and utilities	77,546	89,839	167,385	561,232
Accounting/audit	4,739	33,000	37,739	49,362
Insurance	18,283	14,709	32,992	45,439
Telephone	14,922	3,818	18,740	47,610
Travel and travel-related expenses	70,592	1,526	72,118	954,986
Sub-recipients	2,601,509	-	2,601,509	3,597,819
Postage and delivery	490	1,555	2,045	13,848
Repairs and maintenance	3,834	2,405	6,239	54,540
Furniture and equipment	21,479	(2,072)	19,407	133,230
Subscriptions and publications	139	1,506	1,645	8,772
Business meetings expense	16,660	714	17,374	52,057
Interpreters	22,125	-	22,125	5,456
Bank fees	961	4,444	5,405	21,540
Hall/room rental	4,556	4,374	8,930	79,011
Electronic mail/internet	14,308	7,733	22,041	53,314
Office supplies	4,166	1,061	5,227	32,022
Program materials and support	276	-	276	-
Training and other	-	1,858	1,858	29,781
	<u>\$3,835,051</u>	<u>\$ 848,003</u>	<u>\$4,683,054</u>	<u>\$ 9,955,664</u>

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

STATEMENT OF CASH FLOWS

For The Years Ended September 30, 2020 And 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,226	\$ (37,577)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in:		
Regional office advances	31,835	53,340
Sub-grant advances	32,834	116,650
Grants and contracts receivable, net	43,363	7,608
Accounts receivable	-	51,527
Travel and other advances	1,529	111,137
Prepaid expenses	31,649	129,473
Deposits	59,774	2,799
Increase (decrease) in:		
Accounts payable and accrued expenses	26,187	(662,244)
Accrued salaries, vacation and related benefits	(55,134)	(352,435)
Deferred grant and other liabilities	1,082,686	854,168
Deferred rent	<u>(53,780)</u>	<u>70</u>
Net cash provided by operating activities	<u>1,202,169</u>	<u>274,516</u>
Net increase in cash and cash equivalents	1,202,169	274,516
Cash and cash equivalents at beginning of year	<u>2,611,771</u>	<u>2,337,255</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$3,813,940</u></u>	<u><u>\$2,611,771</u></u>

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(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.

Approximately \$405,000 was held in foreign banking institutions as of September 30, 2020. Such funds are not insured. Subsequent to year end, this balance was distributed to AIHA's sub-recipients.

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 70% of AIHA's revenue for the year ended September 30, 2020 was derived from four separate grants awarded by the Gates Foundation.

Approximately 85% of AIHA's revenue for the year ended September 30, 2019, was derived from grants and contracts awarded by the United States Government or pass-through entities.

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, 2019. Management believes that any adjustment to the 2020 administrative overhead rates, if any, will not have a material effect on the financial position or operating results of AIHA.

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2020

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 2020. 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, the awarding agency has not finalized their review. AIHA estimates, as of September 30, 2020, 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.

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, there have been mandates from federal, state and local authorities resulting in an overall decline in economic activity. The current operating environment is changing rapidly. The extent of impact that the COVID-19 pandemic will have on the financial performance of AIHA's operations is not reasonably estimable at this time.

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 (2016 - 2018) or expected to be taken in AIHA's 2019 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 recognizes contributions when cash, securities, or other assets, and unconditional promises to give are received. Conditional contributions include donor-imposed conditions with one or more barriers that must be overcome before AIHA is entitled to the assets transferred or promised and there is a right of return to the contributor for assets transferred or a right of release of the promisor from its obligation to transfer assets. AIHA recognizes conditional contributions when the conditions are substantially met or waived. Unconditional contributions are classified as without donor restrictions unless there are donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the restriction is accomplished, net assets with donor restrictions are then classified to net assets without donor restrictions and reported in the statement of activities as "**net assets released from restrictions.**"

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2020

GOVERNMENT GRANTS

AIHA is the recipient of awards from the U.S. Government (directly and indirectly through sub-awards) which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when AIHA has incurred expenditures in compliance with specific contract or grant provisions or has fulfilled the performance requirements. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

In 2020, government grant revenue includes approximately \$259,000 from the Small Business Administration's ("SBA") Payment Protection Program (the "PPP Loan"). AIHA accounted for the PPP Loan amount of \$267,392 as a conditional contribution with the incurrence of qualifying expenses representing the barrier for recognition. AIHA recognized the income on the PPP Loan to the extent of incurred qualifying expenditures as of September 30, 2020. The remaining balance of the PPP Loan is classified as a refundable advance on the Statement of Financial Position. Subsequent to year end, in February 2021, the PPP Loan was forgiven by the bank and AIHA expects the SBA to formally forgive the PPP Loan upon their review. Additionally, subsequent to year end, on January 26, 2021, AIHA qualified and received a second PPP Loan from the SBA in the amount of \$267,392.

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.

NEW ACCOUNTING PRONOUNCEMENT ADOPTED

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958), to improve the scope and the accounting guidance for contributions received and contributions made. The amendments will assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of the Topic, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional which effects the timing of revenue recognition. The ASU became effective to the contributions received by AIHA in the current fiscal year and it will become effective for contributions made for fiscal years beginning after December 15, 2019. The adoption of this ASU changed AIHA's accounting for its contributions from the U.S. Government and other private funding sources from exchange transactions to conditional contributions, however the presentation in the financial statements was not materially affected.

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2020

NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

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 15, 2021. 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.

In 2020, the FASB issued ASU 2020-07: Presentation and disclosure requirements by not-for-profit entities for contributed non-financial assets (Topic 958). Prior to this update, Topic 958 only specified requirements for the recognition and initial measurement of contributions and disclosure requirements pertaining to contributed services. Under the new guidance, not-for-profit organizations will be required to present gifts-in-kind as a separate component on their statement of activities and will require specific disclosures for certain quantitative and qualitative information about such non-financial assets. The amendments in this update are effective for periods beginning after June 15, 2021 and should be applied on a retrospective basis. AIHA plans to adopt the new ASU at the required implementation date.

(2) LEASE COMMITMENT

On May 31, 2019, AIHA elected to exercise its right to terminate its office space lease in Washington D.C. Upon notifying the landlord of the election to terminate the lease, a termination fee of approximately \$165,000 became due. \$82,500 was paid during the year ended September 30, 2019, and the remaining balance, net of the security deposit, was paid during the year ended September 30, 2020. Total occupancy expense for the Washington D.C. office for 2020 and 2019, was approximately \$151,000 and \$462,000, respectively.

For the year ended September 30, 2020, AIHA also leased office space in Addis Ababa, Ethiopia under a one-year lease which renews on December 1st each year. During the 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.

(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, 2020, and 2019 was approximately \$97,000 and \$93,500, respectively.

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2020

(5) FUNCTIONAL COSTS

Program services and management and general expenses for the year ended September 30, 2020 were charged to the following programs:

	2020		
	<u>Operations</u>	<u>Management And General</u>	<u>Total</u>
CDC Global AIDS	\$ 481,929	\$ 207,723	\$ 689,652
Gilead	58,448	25,192	83,640
Chemonics	190,978	82,316	273,294
Gates Foundation	2,992,988	200,685	3,193,673
ICHSSA	89,397	38,532	127,929
Payroll Protection Program	-	258,680	258,680
Other	<u>21,311</u>	<u>34,875</u>	<u>56,186</u>
	<u>\$3,835,051</u>	<u>\$ 848,260</u>	<u>\$4,683,054</u>

(6) LINES OF CREDIT

AIHA has an \$825,000 line of credit from a bank that expires on October 1, 2020. Subsequent to year-end, AIHA did not renew this the line of credit. Interest is charged on outstanding balances at the prime rate plus .45%. AIHA holds a second \$100,000 line of credit with a bank which charges interest on outstanding advances at the prime rate plus .75%. There were no advances on either of these lines of credit during the years ended September 30, 2020 and 2019.

(7) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

At September 30, 2020 and 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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$3,813,940	\$2,611,771
Regional office advances	127,840	158,639
Receivables*	<u>761,435</u>	<u>809,056</u>
Total financial assets available to management for general expenditure and grant expenses within one year	<u>\$4,703,215</u>	<u>\$3,579,466</u>

* Includes federal grant receivable from Payment Management System deficiency (see Contingency Note 1)

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.

AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2020

(8) SUBSEQUENT EVENTS

Subsequent events after the statement of financial position date through the date that the financial statements were available for issuance, April 13, 2021, have been evaluated in the preparation of the financial statements.