

**AMREF HEALTH AFRICA, INC.
(UNITED STATES)**

***FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS***

SEPTEMBER 30, 2016

AMREF HEALTH AFRICA, INC.
(UNITED STATES)

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
AMREF Health Africa
(United States)
New York, New York

We have audited the accompanying financial statements of AMREF Health Africa (United States) (“*AMREF*”), formerly known as African Medical & Research Foundation, Inc. (United States), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities, functional expenses and changes in net assets, and of 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 of material misstatement.

An audit includes 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 of our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AMREF Health Africa (United States) as of September 30, 2016 and 2015, and the changes in its net assets, and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Tait, Weller & Baker LLP

Philadelphia, Pennsylvania
April 24, 2017

AMREF HEALTH AFRICA, INC.
(UNITED STATES)

STATEMENTS OF FINANCIAL POSITION

September 30, 2016 And 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 433,879	\$ 689,790
Investments (<i>Note 2</i>)	1,489,053	1,905,819
Grants receivable		
U.S. Government	507,542	268,869
Other	605,294	398,487
Note receivable (<i>Note 3</i>)	500,000	-
Prepaid expenses and other assets	33,216	40,036
Furniture and equipment, net of accumulated depreciation of \$139,275 and \$136,141	2,142	4,226
Security deposits	<u>13,414</u>	<u>13,414</u>
Total assets	<u>\$ 3,584,540</u>	<u>\$ 3,320,641</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 21,587	\$ 32,356
Due to AMREF/Kenya	<u>1,301,842</u>	<u>836,126</u>
Total liabilities	<u>1,323,429</u>	<u>868,482</u>
Net Assets		
Unrestricted	2,261,111	2,153,223
Temporarily restricted (<i>Note 5</i>)	<u>-</u>	<u>298,936</u>
Total net assets	<u>2,261,111</u>	<u>2,452,159</u>
Total liabilities and net assets	<u>\$ 3,584,540</u>	<u>\$ 3,320,641</u>

AMREF HEALTH AFRICA, INC.
(UNITED STATES)

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended September 30, 2016 With Summarized Information For 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016</u>	<u>2015</u>
Support and Revenues				
Federal awards	\$3,123,756	\$ -	\$3,123,756	\$2,646,100
Foundations, corporate grants and individual donations	2,335,057	154,329	2,489,386	3,911,429
Special events (net of expenses of \$68,522 in 2016)	96,248	-	96,248	-
Other income	12,000	-	12,000	13,336
Investment income (loss)	69,032	-	69,032	(37,963)
Released from restriction (<i>Note 5</i>)	<u>453,265</u>	<u>(453,265)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>6,089,358</u>	<u>(298,936)</u>	<u>5,790,422</u>	<u>6,532,902</u>
Expenses				
Program Services				
Health training, education and primary care	2,608,999	-	2,608,999	2,263,541
Clinical services	2,180,448	-	2,180,448	1,591,987
Evaluation and operations research	<u>59,838</u>	<u>-</u>	<u>59,838</u>	<u>884,477</u>
Total program services	<u>4,849,285</u>	<u>-</u>	<u>4,849,285</u>	<u>4,740,005</u>
Supporting Services				
Management and general	603,637	-	450,373	424,630
Fund raising	<u>528,548</u>	<u>-</u>	<u>681,812</u>	<u>1,013,541</u>
Total supporting services	<u>1,132,185</u>	<u>-</u>	<u>1,132,185</u>	<u>1,438,171</u>
Total expenses	<u>5,981,470</u>	<u>-</u>	<u>5,981,470</u>	<u>6,178,176</u>
Increase (decrease) net assets	107,888	(298,936)	(191,048)	354,726
Net Assets				
Beginning	<u>2,153,223</u>	<u>298,936</u>	<u>2,452,159</u>	<u>2,097,433</u>
End	<u>\$2,261,111</u>	<u>\$ -</u>	<u>\$2,261,111</u>	<u>\$2,452,159</u>

**AMREF HEALTH AFRICA, INC.
(UNITED STATES)**

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended September 30, 2016 With Summarized Information For 2015

	<u>Program Services</u>				<u>Supporting Services</u>		<u>Totals</u>	
	<u>Health Training, Education And Training</u>	<u>Clinical Services</u>	<u>Educational And Operations Research</u>	<u>Total</u>	<u>Management And General</u>	<u>Fund Raising</u>	<u>2016</u>	<u>2015</u>
Grants:								
Awards to AMREF-Kenya	\$2,557,766	\$2,145,236	\$ 16,537	\$ 4,719,539	\$ -	\$ -	\$4,719,539	\$4,594,250
Other Expenses:								
Salaries, payroll taxes and related benefits	28,621	26,645	24,821	80,087	404,666	314,413	799,166	1,019,016
Professional fees and services	-	-	-	-	23,250	-	23,250	22,500
Consultants	5,620	-	-	5,620	32,864	29,406	67,890	53,078
Travel	9,845	3,777	14,017	27,639	9,358	2,365	39,362	59,274
Memberships and registration fees	-	-	-	-	30,091	4,539	34,630	30,930
Occupancy	3,364	3,131	2,917	9,412	29,545	54,962	93,919	97,350
Insurance	500	465	434	1,399	4,392	8,170	13,961	9,652
Telecommunications	-	-	-	-	6,761	6,761	13,522	10,542
Postage and shipping	-	-	-	-	-	4,663	4,663	863
Direct mail	-	-	-	-	-	62,324	62,324	201,740
Equipment maintenance	128	119	111	358	2,021	5,260	7,639	12,138
Public relations	-	-	-	-	-	1,490	1,490	5,108
Special events	-	-	-	-	-	-	-	1,374
Miscellaneous	3,043	971	904	4,918	59,703	32,361	96,982	54,499
Total expenses before depreciation and amortization	2,608,887	2,180,344	59,741	4,848,972	602,651	526,714	5,978,337	6,172,314
Depreciation and Amortization	112	104	97	313	986	1,834	3,133	5,862
Total Expenses – 2016	\$2,608,999	\$2,180,448	\$ 59,838	\$ 4,849,285	\$603,637	\$ 528,548	\$5,981,470	
Total Expenses – 2015	\$2,263,541	\$1,591,987	\$884,477	\$ 4,740,005	\$424,630	\$1,013,541		\$6,178,176

See accompanying notes to financial statements.

AMREF HEALTH AFRICA, INC.
(UNITED STATES)

STATEMENTS OF CASH FLOWS

For The Years Ended September 30, 2016 And 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Increase (decrease) in net assets</i>	\$(191,048)	\$ 354,726
<i>Adjustments to reconcile increase in net assets to net cash used for operating activities</i>		
Depreciation	3,134	5,862
Realized/unrealized (gains) losses on investments	(46,102)	56,050
(Increase) decrease in		
Grants receivable		
U.S. Government	(238,673)	505,228
Other	(206,807)	(181,137)
Loan receivable	(500,000)	-
Prepaid expenses and other assets	6,820	(22,608)
(Decrease) increase in		
Accounts payable	(10,769)	(40,825)
Due to AMREF/Kenya	<u>465,716</u>	<u>(408,942)</u>
Net cash provided by (used for) operating activities	<u>(717,729)</u>	<u>268,354</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(125,240)	(54,364)
Proceeds from sale of investments	588,108	320,182
Purchase of equipment	<u>(1,050)</u>	<u>-</u>
Net cash provided by investing activities	<u>461,818</u>	<u>265,818</u>
Net increase (decrease) in cash	(255,911)	534,172
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>689,790</u>	<u>155,618</u>
End of year	<u>\$ 433,879</u>	<u>\$ 689,790</u>

**AMREF HEALTH AFRICA, INC.
(UNITED STATES)**

NOTES TO FINANCIAL STATEMENTS

September 30, 2016 And 2015

(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

AMREF Health Africa (United States) (“**AMREF**”), formerly known as African Medical & Research Foundation, Inc. (United States), is a non-profit organization chartered by the State of New York in 1957 and is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. AMREF supports a variety of health programs in Eastern and Southern Africa. Programs include: health training, education, primary care, clinical services, evaluation and operations research. AMREF provides financial support to its affiliate, AMREF Health Africa (Kenya), for use in its programs.

ACCOUNTING ESTIMATES

The preparation of 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

CONCENTRATION OF CREDIT RISK

AMREF occasionally maintains deposits in financial institutions in excess of federally insured limits. Accounting Standards Codification (“**ASC**”) 825, “**Financial Instruments**”, identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made.

CASH AND CASH EQUIVALENTS

AMREF considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

INVESTMENTS

Investments in debt and equity securities with readily determinable fair market values are reported at fair market values with realized and unrealized gains and losses included in the statement of activities.

FIXED ASSETS

Fixed assets are recorded at cost. Major additions and improvements are capitalized, while maintenance and repairs are expensed when incurred. AMREF provides depreciation on furniture, fixtures and equipment by the straight-line method at rates calculated using the estimated useful lives of the respective depreciable assets, generally three to five years.

U.S. GOVERNMENT GRANTS

AMREF receives grant awards from the U.S. Government under various contracts. AMREF records revenues under these contracts as expenses are incurred. Funds received in advance of expenses incurred are reported as deferred revenue.

AMREF HEALTH AFRICA, INC.
(UNITED STATES)

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2016 And 2015

CONTRIBUTIONS

Contributions, including promises to give, are recorded as support when received. AMREF reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Restricted contributions have been reported as unrestricted contributions since the restrictions have been fulfilled in the same period in which the contribution is received.

NET ASSETS

AMREF's net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of AMREF and changes therein are classified and reported as follows:

- **Unrestricted:** Unrestricted net assets include the net assets that are associated with the principal mission of the AMREF.
- **Temporarily Restricted:** Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met.

INCOME TAX STATUS

AMREF is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "*Code*"), and has been classified as an organization, which is not a private foundation under Section 509(a) of the Code.

Management has reviewed the tax positions for each of the open tax years (2013 – 2015) or expected to be taken in the AMREF's 2016 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

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. Accordingly, certain costs have been allocated among the programs and supporting services that derived a benefit. Such allocations are determined by management in accordance with grant provisions or other reasonable basis.

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the AMREF's audited financial statements for the year ended September 30, 2015, from which the summarized information was derived.

AMREF HEALTH AFRICA, INC.
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NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2016 And 2015

(2) INVESTMENTS

The following is a summary of AMREF's investments at September 30, 2016 and 2015:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Money Market Funds	\$ 4,527	\$ 4,527	\$ 3,431	\$ 3,431
Certificates of Deposits	904,000	907,973	1,300,000	1,303,149
Mutual Funds				
Equity	361,774	401,122	444,483	429,556
Bond	<u>174,330</u>	<u>175,431</u>	<u>170,685</u>	<u>169,683</u>
Total	<u>\$1,444,631</u>	<u>\$1,489,053</u>	<u>\$1,918,599</u>	<u>\$1,905,819</u>

At September 30, 2016 and 2015, unrealized gains (losses) consisted of \$44,422 and \$(12,780), respectively.

The following summarizes the investment return for the years ended September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest income	\$ 22,930	\$ 18,087
Realized gains (losses)	(11,100)	11,721
Unrealized gains (losses)	<u>57,202</u>	<u>(67,771)</u>
Total investment income – investments	<u>\$ 69,032</u>	<u>\$ 37,963</u>

AMREF utilized various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles establish a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the AMREF has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an active market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the AMREF's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

AMREF HEALTH AFRICA, INC.
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NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2016 And 2015

The summary of inputs used to value the AMREF's investments as of September 30, 2016 and 2015 are as follows:

	2016			
	Total	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Investments				
Money Market Funds	\$ 4,527	\$ 4,527	\$ -	\$ -
Certificate of Deposit	907,973	-	907,973	-
Mutual Funds				
Equity	401,122	401,122	-	-
Bond	175,431	175,431	-	-
	<u>\$ 1,489,053</u>	<u>\$ 581,080</u>	<u>\$ 907,973</u>	<u>\$ -</u>
	2015			
	Total	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Investments				
Money Market Funds	\$ 3,431	\$ 3,431	\$ -	\$ -
Certificate of Deposit	1,303,149	-	1,303,149	-
Mutual Funds				
Equity	429,556	429,556	-	-
Bond	169,683	169,683	-	-
	<u>\$ 1,905,819</u>	<u>\$ 602,670</u>	<u>\$ 1,303,149</u>	<u>\$ -</u>

There were no transfers between Level 1 and 2 during the year ended September 30, 2016 and 2015.

(3) LOAN RECEIVABLE

On July 29, 2016, AMREF signed an agreement to loan funds to AMREF Health Africa (Kenya). The \$500,000 loan has an interest rate of 1.41%, with equal payments of \$250,000, plus interest, due to be received on August 1, 2017 and 2018.

AMREF HEALTH AFRICA, INC.
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NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2016 And 2015

(4) PENSION PLAN

AMREF has a plan qualified under Section 403(b) that covers all eligible employees. Contributions to the plan are made at the discretion of the Board of Directors and are limited to 7% of the employee's annual salary.

During the years ended September 30, 2016 and 2015, AMREF made contributions of \$26,979 and \$24,268, respectively.

(5) NET ASSETS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes in the amount of \$453,265 for the year ended September 30, 2016.

(6) COMMITMENTS AND CONTINGENCIES

LEASE COMMITMENTS

AMREF leases office space for its New York office under a noncancellable lease ending in December 2016. Total rent expense for 2016 and 2015 was approximately \$93,920 and \$90,600, respectively.

Future minimum rental commitments under this lease are as follows:

2017	<u>\$72,532</u>
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(7) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, April 24, 2017, have been evaluated in the preparation of the financial statements.