

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

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

SEPTEMBER 30, 2017

**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, 2017, 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, 2017, 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.

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

Report on Summarized Comparative Information

We have previously audited AMREF's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 24, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tait, Weller & Baker LLP

**Philadelphia, Pennsylvania
April 10, 2018**

AMREF HEALTH AFRICA, INC.
(UNITED STATES)

STATEMENTS OF FINANCIAL POSITION

September 30, 2017 And 2016

ASSETS	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 1,698,420	\$ 433,879
Investments (<i>Note 2</i>)	1,839,894	1,489,053
Grants receivable		
U.S. Government	218,669	507,542
Other	155,897	605,294
Note receivable (<i>Note 3</i>)	250,000	500,000
Prepaid expenses and other assets	155,779	33,216
Furniture and equipment, net of accumulated depreciation of \$141,624 and \$139,275	4,185	2,142
Security deposits	<u>78,943</u>	<u>13,414</u>
Total assets	<u>\$ 4,401,787</u>	<u>\$ 3,584,540</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 129,455	\$ 21,587
Due to AMREF/Kenya	<u>317,228</u>	<u>1,301,842</u>
Total liabilities	<u>446,683</u>	<u>1,323,429</u>
Net Assets		
Unrestricted	2,469,869	2,261,111
Temporarily restricted (<i>Note 5</i>)	<u>1,485,235</u>	<u>-</u>
Total net assets	<u>3,955,104</u>	<u>2,261,111</u>
Total liabilities and net assets	<u>\$ 4,401,787</u>	<u>\$ 3,584,540</u>

AMREF HEALTH AFRICA, INC.
(UNITED STATES)

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended September 30, 2017 With Summarized Information For 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017</u>	<u>2016</u>
Support and Revenues				
Federal awards	\$3,001,699	\$ -	\$3,001,699	\$3,123,756
Foundations, corporate grants and individual donations	2,123,240	1,625,129	3,748,369	2,489,386
Special events (net of expenses of \$148,289 and \$68,522 in 2017 and 2016 in 2017)	92,476	-	92,476	96,248
Other income	56,087	-	56,087	12,000
Investment income (loss)	88,584	-	88,584	69,032
Released from restriction (<i>Note 5</i>)	<u>139,894</u>	<u>(139,894)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>5,501,980</u>	<u>1,485,235</u>	<u>6,987,215</u>	<u>5,790,422</u>
Expenses				
Program Services				
Health training, education and primary care	2,230,604	-	2,230,604	2,608,999
Clinical services	1,721,827	-	1,721,827	2,180,448
Evaluation and operations research	<u>24,434</u>	<u>-</u>	<u>24,434</u>	<u>59,838</u>
Total program services	<u>3,976,865</u>	<u>-</u>	<u>3,976,865</u>	<u>4,849,285</u>
Supporting Services				
Management and general	765,843	-	765,843	603,637
Fund raising	<u>550,514</u>	<u>-</u>	<u>550,514</u>	<u>528,548</u>
Total supporting services	<u>1,316,357</u>	<u>-</u>	<u>1,316,357</u>	<u>1,132,185</u>
Total expenses	<u>5,293,222</u>	<u>-</u>	<u>5,293,222</u>	<u>5,981,470</u>
Increase (decrease) net assets	208,758	1,485,235	1,693,993	(191,048)
Net Assets				
Beginning	<u>2,261,111</u>	<u>-</u>	<u>2,261,111</u>	<u>2,452,159</u>
End	<u>\$2,469,869</u>	<u>\$1,485,235</u>	<u>\$3,955,104</u>	<u>\$2,261,111</u>

AMREF HEALTH AFRICA, INC.
(UNITED STATES)

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended September 30, 2017 With Summarized Information For 2016

	<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>2017</u>	<u>2016</u>
Grants:								
Awards to AMREF-Kenya	<u>\$2,008,112</u>	<u>\$1,675,536</u>	<u>\$ 20,304</u>	<u>\$ 3,703,952</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,703,952</u>	<u>\$4,719,539</u>
Other Expenses:								
Salaries, payroll taxes and related benefits	102,910	36,353	2,754	142,017	459,783	300,012	901,812	799,166
Professional fees and services	-	-	-	-	23,500	-	23,500	23,250
Consultants	83,295	-	582	83,877	113,135	83,520	280,532	67,890
Travel	10,227	3,151	339	13,717	58,020	11,158	82,895	39,362
Memberships and registration fees	-	-	-	-	6,963	19,885	26,848	34,630
Occupancy	11,204	3,958	300	15,462	50,056	32,662	98,180	93,919
Insurance	2,054	726	55	2,835	9,178	5,989	18,002	13,961
Telecommunications	1,047	-	-	1,047	6,480	6,480	14,007	13,522
Postage and shipping	-	-	-	-	528	3,029	3,557	4,663
Direct mail	-	-	-	-	-	42,053	42,053	62,324
Equipment maintenance	337	786	-	1,123	3,370	3,601	8,094	7,639
Public relations	-	-	-	-	-	9,064	9,064	1,490
Miscellaneous	<u>11,150</u>	<u>1,222</u>	<u>93</u>	<u>12,465</u>	<u>33,632</u>	<u>32,280</u>	<u>78,377</u>	<u>96,982</u>
Total other expenses	<u>222,224</u>	<u>46,196</u>	<u>4,123</u>	<u>272,543</u>	<u>764,645</u>	<u>549,733</u>	<u>1,586,921</u>	<u>1,258,798</u>
Total expenses before depreciation and amortization	<u>2,230,336</u>	<u>1,721,732</u>	<u>24,427</u>	<u>3,976,495</u>	<u>764,645</u>	<u>549,733</u>	<u>5,290,873</u>	<u>5,978,337</u>
Depreciation and Amortization	<u>268</u>	<u>95</u>	<u>7</u>	<u>370</u>	<u>1,198</u>	<u>781</u>	<u>2,349</u>	<u>3,133</u>
Total Expenses – 2017	<u>\$2,230,604</u>	<u>\$1,721,827</u>	<u>\$ 24,434</u>	<u>\$ 3,976,865</u>	<u>\$765,843</u>	<u>\$ 550,514</u>	<u>\$5,293,222</u>	
Total Expenses – 2016	<u>\$2,608,999</u>	<u>\$2,180,448</u>	<u>\$ 59,838</u>	<u>\$ 4,849,285</u>	<u>\$603,637</u>	<u>\$ 528,548</u>		<u>\$5,981,470</u>

See accompanying notes to financial statements.

AMREF HEALTH AFRICA, INC.
(UNITED STATES)

STATEMENTS OF CASH FLOWS

For The Years Ended September 30, 2017 And 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Increase (decrease) in net assets</i>	\$ 1,693,993	\$(191,048)
<i>Adjustments to reconcile increase in net assets to net cash used for operating activities</i>		
Depreciation	2,349	3,134
Realized/unrealized gains on investments	(61,981)	(46,102)
(Increase) decrease in		
Grants receivable		
U.S. Government	288,873	(238,673)
Other	449,397	(206,807)
Prepaid expenses and other assets	(122,563)	6,820
Prepaid expenses and other assets	(65,529)	-
(Decrease) increase in		
Accounts payable	107,868	(10,769)
Due to AMREF/Kenya	<u>(984,614)</u>	<u>465,716</u>
Net cash provided by (used for) operating activities	<u>1,307,793</u>	<u>(217,729)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,030,885)	(125,240)
Proceeds from sale of investments	742,025	588,108
Purchase of equipment	<u>(4,392)</u>	<u>(1,050)</u>
Net cash provided by (used for) investing activities	<u>(293,252)</u>	<u>461,818</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of note receivable	250,000	-
Issuance of note receivable	<u>-</u>	<u>(500,000)</u>
Net cash provided by (used for) financing activities	<u>250,000</u>	<u>(500,000)</u>
Net increase (decrease) in cash	1,264,541	(255,911)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>433,879</u>	<u>689,790</u>
End of year	<u>\$ 1,698,420</u>	<u>\$ 433,879</u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2017 And 2016

(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, 2017 And 2016

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 (2014 – 2016) or expected to be taken in the AMREF's 2017 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, 2016, from which the summarized information was derived.

AMREF HEALTH AFRICA, INC.
(UNITED STATES)

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2017 And 2016

(2) INVESTMENTS

The following is a summary of AMREF’s investments at September 30, 2017 and 2016:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Money Market Funds	\$ 135,157	\$ 135,157	\$ 4,527	\$ 4,527
Certificates of Deposits	1,054,000	1,056,717	904,000	907,973
Mutual Funds				
Equity	365,968	470,247	361,774	401,122
Bond	<u>178,133</u>	<u>177,773</u>	<u>174,330</u>	<u>175,431</u>
Total	<u>\$1,733,258</u>	<u>\$1,839,894</u>	<u>\$1,444,631</u>	<u>\$1,489,053</u>

At September 30, 2017 and 2016, unrealized gains were \$106,636 and \$44,422, respectively.

The following summarizes the investment return for the years ended September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest income	\$ 26,603	\$ 22,930
Realized losses	(233)	(11,100)
Unrealized gains	<u>62,214</u>	<u>57,202</u>
Total investment income – investments	<u>\$ 88,584</u>	<u>\$ 69,032</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.
(UNITED STATES)

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2017 And 2016

(5) NET ASSETS

Temporarily restricted net assets were subject to the following restrictions as of September 30, 2017:

Youth Advocacy – Kenya	<u>\$1,485,235</u>
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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes in the amount of \$139,894 for the year ended September 30, 2017.

(6) COMMITMENTS AND CONTINGENCIES

LEASE COMMITMENTS

AMREF leases office space for its New York office under a noncancellable lease which ended in December 2016. AMREF continued to lease the space on a month to month basis thereafter. Total rent expense for 2017 and 2016 was \$97,676 and \$93,920, respectively. On July 11, 2017, AMREF entered into a new lease agreement for office space which runs from October 15, 2017 through February 15, 2028. AMREF received four months of free rent, and as such, rental payments required under this lease will be reported as rent expense on a straight-line basis over the term of the lease.

Future minimum rental commitments under this lease are as follows:

<u>Year Ended September 30:</u>	<u>Amount</u>
2018	\$ 78,531
2019	128,359
2020	131,247
2021	134,201
2022	137,220
2023 and thereafter	<u>850,127</u>
	<u>\$1,459,685</u>

(7) CONDITIONAL PROMISES TO GIVE

In connection with a foundation grant received in fiscal 2017, AMREF has a conditional promise to receive \$795,513 in fiscal 2018, subject to review of project performance.

(8) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, April 10, 2018, have been evaluated in the preparation of the financial statements.