

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

*FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS*

SEPTEMBER 30, 2019

AMREF HEALTH AFRICA, INC.
(UNITED STATES)

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
AMREF Health Africa, Inc.
(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, 2019, 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, 2019, 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, Inc.
(United States)
New York, New York**

Report on Summarized Comparative Information

We have previously audited AMREF's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 3, 2019. 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.

Tait, Weller & Baker LLP

Philadelphia, Pennsylvania
March 11, 2020

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

STATEMENTS OF FINANCIAL POSITION

September 30, 2019 And 2018

ASSETS	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,230,615	\$ 1,608,166
Investments <i>(Note 2)</i>	1,346,878	1,908,019
Grants receivable		
U.S. Government	475,852	341,591
Other	70,287	83,552
Note receivable <i>(Note 3)</i>	572,890	-
Prepaid expenses and other assets	57,524	93,679
Furniture and equipment, net of accumulated depreciation of \$162,392 and \$148,941	21,270	29,887
Security deposits	<u>62,824</u>	<u>66,174</u>
Total assets	<u>\$3,838,140</u>	<u>\$4,131,068</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 95,405	\$ 109,296
Due to AMREF/Kenya	321,408	316,620
Deferred revenue	-	59,578
Deferred rent <i>(Note 6)</i>	<u>69,743</u>	<u>56,843</u>
Total liabilities	<u>486,556</u>	<u>542,337</u>
Net Assets		
Without donor restrictions	2,100,051	2,415,636
With donor restrictions <i>(Note 5)</i>	<u>1,251,533</u>	<u>1,173,095</u>
Total net assets	<u>3,351,584</u>	<u>3,588,731</u>
Total liabilities and net assets	<u>\$3,838,140</u>	<u>\$4,131,068</u>

AMREF HEALTH AFRICA, INC.
(UNITED STATES)

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended September 30, 2019 And Summarized Information For 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019</u>	<u>2018</u>
Support and Revenues				
Federal awards	\$ 3,142,461	\$ -	\$ 3,142,461	\$ 2,957,357
Foundations, corporate grants and individual donations	1,088,538	1,400,000	2,488,538	2,402,453
Special events (net of expenses of \$114,612 and \$185,317 in 2019 and 2018)	143,801	-	143,801	199,783
Other income	111,001	-	111,001	42,000
Interest and dividend income	63,141	-	63,141	30,076
Released from restriction <i>(Note 5)</i>	<u>1,321,562</u>	<u>(1,321,562)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>5,870,504</u>	<u>78,438</u>	<u>5,948,942</u>	<u>5,631,669</u>
Expenses				
Program Services				
Health training, education and primary care	3,548,150	-	3,548,150	3,259,187
Clinical services	1,037,321	-	1,037,321	1,310,574
Evaluation and operations research	<u>78,220</u>	<u>-</u>	<u>78,220</u>	<u>40,096</u>
Total program services	<u>4,663,691</u>	<u>-</u>	<u>4,663,691</u>	<u>4,609,857</u>
Supporting Services				
Management and general	808,452	-	808,452	711,248
Fund raising	<u>740,503</u>	<u>-</u>	<u>740,503</u>	<u>694,407</u>
Total supporting services	<u>1,548,955</u>	<u>-</u>	<u>1,548,955</u>	<u>1,405,655</u>
Total expenses	<u>6,212,646</u>	<u>-</u>	<u>6,212,646</u>	<u>6,015,512</u>
Excess (deficit) of operating revenues over expenses	(342,142)	78,438	(263,704)	(383,843)
Other Changes				
Realized and unrealized net gains	<u>26,557</u>	<u>-</u>	<u>26,557</u>	<u>17,470</u>
Change in net assets	(315,585)	78,438	(237,147)	(366,373)
Net Assets				
Beginning of year	<u>2,415,636</u>	<u>1,173,095</u>	<u>3,588,731</u>	<u>3,955,104</u>
End of year	<u>\$ 2,100,051</u>	<u>\$ 1,251,533</u>	<u>\$ 3,351,584</u>	<u>\$ 3,588,731</u>

AMREF HEALTH AFRICA, INC.
(UNITED STATES)

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended September 30, 2019 With Summarized Information For 2018

	<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>2019</u>	<u>2018</u>
Grants:								
Awards to AMREF-Kenya	\$3,120,127	\$ 911,240	\$65,203	\$4,096,570	\$ -	\$ -	\$4,096,570	\$ 4,072,485
Other program grants	<u>160,368</u>	<u>71,154</u>	<u>8,440</u>	<u>239,962</u>	<u>-</u>	<u>-</u>	<u>239,962</u>	<u>-</u>
Total grants	3,280,495	982,394	73,643	4,336,532	-	-	4,336,532	4,072,485
Other Expenses:								
Salaries, payroll taxes and related benefits	173,957	30,114	2,619	206,690	553,657	336,906	1,097,253	1,020,780
Professional fees and services	-	-	-	-	22,250	-	22,250	23,750
Consultants	36,008	10,695	809	47,512	58,809	78,229	184,550	308,962
Travel	26,404	6,871	519	33,794	27,336	15,187	76,317	119,465
Memberships and registration fees	-	-	-	-	-	14,631	14,631	15,814
Occupancy	14,135	4,278	372	18,785	91,240	55,921	165,946	176,369
Insurance	910	157	14	1,081	2,895	1,762	5,738	16,272
Telecommunications	1,689	292	25	2,006	5,375	3,271	10,652	15,809
Postage and shipping	848	147	13	1,008	2,698	1,642	5,348	6,570
Direct mail	-	-	-	-	-	52,362	52,362	58,024
Special events	-	-	-	-	-	127,217	127,217	86,532
Equipment maintenance	385	67	6	458	1,702	9,873	12,033	20,078
Public relations	-	-	-	-	-	4,196	4,196	5,212
Miscellaneous	<u>11,186</u>	<u>1,937</u>	<u>168</u>	<u>13,291</u>	<u>35,703</u>	<u>35,176</u>	<u>84,170</u>	<u>62,073</u>
Total other expenses	<u>265,522</u>	<u>54,558</u>	<u>4,545</u>	<u>324,625</u>	<u>801,665</u>	<u>736,373</u>	<u>1,862,663</u>	<u>1,935,710</u>
Total expenses before depreciation and amortization	3,546,017	1,036,952	78,188	4,661,157	801,665	736,373	6,199,195	6,008,195
Depreciation and Amortization	<u>2,133</u>	<u>369</u>	<u>32</u>	<u>2,534</u>	<u>6,787</u>	<u>4,130</u>	<u>13,451</u>	<u>7,317</u>
Total Expenses – 2019	<u>\$3,548,150</u>	<u>\$1,037,321</u>	<u>\$78,220</u>	<u>\$4,663,691</u>	<u>\$ 808,452</u>	<u>\$ 740,503</u>	<u>\$ 6,212,646</u>	
Total Expenses – 2018	<u>\$3,259,187</u>	<u>\$1,310,574</u>	<u>\$40,096</u>	<u>\$4,609,857</u>	<u>\$ 711,248</u>	<u>\$ 694,407</u>		<u>\$ 6,015,512</u>

See accompanying notes to financial statements.

AMREF HEALTH AFRICA, INC.
(UNITED STATES)

STATEMENTS OF CASH FLOWS

For The Years Ended September 30, 2019 And 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Decrease in net assets</i>	\$ (237,147)	\$ (366,373)
<i>Adjustments to reconcile increase in net assets to net cash used for operating activities</i>		
Depreciation	13,451	7,317
Realized/unrealized gains on investments	(26,557)	(17,470)
(Increase) decrease in		
Grants receivable		
U.S. Government	(134,261)	(122,922)
Other	13,265	72,345
Prepaid expenses and other assets	36,155	62,100
Security deposits	3,350	12,769
(Decrease) increase in		
Accounts payable	(13,891)	(20,159)
Due to AMREF/Kenya	4,788	(608)
Deferred revenue	(59,578)	59,578
Deferred rent	<u>12,900</u>	<u>56,843</u>
Net cash used for operating activities	<u>(387,525)</u>	<u>(256,580)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in short-term investments	1,230,187	(41,030)
Purchases of investments	(3,074,602)	(33,258)
Proceeds from sale of investments	2,432,113	23,633
Purchase of equipment	<u>(4,834)</u>	<u>(33,019)</u>
Net cash provided by (used for) investing activities	<u>582,864</u>	<u>(83,674)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of note receivable	(750,000)	-
Repayment of note receivable	<u>177,110</u>	<u>250,000</u>
Net cash provided by (used for) financing activities	<u>(572,890)</u>	<u>250,000</u>
Net decrease in cash	(377,551)	(90,254)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,608,166</u>	<u>1,698,420</u>
End of year	<u>\$ 1,230,615</u>	<u>\$ 1,608,166</u>

AMREF HEALTH AFRICA, INC. (UNITED STATES)

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 And 2018

(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 MARKET AND 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.

Market risk represents the potential loss AMREF faces due to the decrease in the value of marketable securities. Credit risk represents the potential loss AMREF faces due to the possible nonperformance by obligors and counterparts of the terms of their contracts. Market risk is contained by limiting investments in marketable securities to certificates of deposit, balanced and equity mutual funds and money markets.

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, 2019 And 2018

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. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

NET ASSETS

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of AMREF are classified and reported as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary mission of AMREF.

With donor restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of AMREF or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Expirations of restrictions of net assets with donor restrictions are reported as net assets released from restriction.

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 (2016 – 2018) or expected to be taken in the AMREF’s 2019 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

RECLASSIFICATIONS

Certain reclassifications were made to the 2018 financial statements to conform to the 2019 presentation.

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, 2018, from which the summarized information was derived.

AMREF HEALTH AFRICA, INC.
(UNITED STATES)

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2019 And 2018

RECENT ACCOUNTING PRONOUNCEMENTS - ADOPTED

In 2019, AMREF adopted Accounting Standards Update (ASU) 2016-14, Presentation of the Financial Statements of Not-for-Profit Entities. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. The main provisions of this guidance include 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.

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of September 30, 2018 is a follows:

<u>Net Asset Classifications</u>	<u>ASU 2016-14 Classification</u>		<u>Total Net Assets</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	
As previously presented:			
Unrestricted	\$ 2,415,636	\$ -	\$ 2,415,636
Temporarily Restricted		1,173,095	1,173,095
	<u>\$ 2,415,636</u>	<u>\$ 1,173,095</u>	<u>\$ 3,588,731</u>

ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). This ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP), including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year thus the effective date is fiscal years beginning after December 15, 2018. Early adoption is permitted and should be applied retrospectively in the year this ASU is first applied. AMREF plans to adopt this new ASU at the required implementation date.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This 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. This 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. AMREF plans to adopt this new ASU at the required implementation date.

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. This ASU should be applied using a modified prospective basis. AMREF plans to adopt this new ASU at the required implementation date.

AMREF HEALTH AFRICA, INC.
(UNITED STATES)

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2019 And 2018

(2) INVESTMENTS

The following is a summary of AMREF’s investments at September 30, 2019 and 2018:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Money Market Funds	\$ 90,980	\$ 90,980	\$ 270,187	\$ 270,187
Certificates of Deposits	-	-	960,000	962,515
Mutual Funds				
Equity	887,036	916,848	370,407	497,102
Bond	<u>324,712</u>	<u>339,050</u>	<u>182,594</u>	<u>178,215</u>
Total	<u>\$1,302,728</u>	<u>\$1,346,878</u>	<u>\$1,783,188</u>	<u>\$1,908,019</u>

At September 30, 2019 and 2018, unrealized gains were \$44,150 and \$124,831, respectively.

The following summarizes the investment return for the years ended September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest income	\$ 63,141	\$ 30,076
Realized gains (losses)	107,238	(725)
Unrealized gains (losses)	<u>(80,681)</u>	<u>18,195</u>
Total investment income – investments	<u>\$ 89,698</u>	<u>\$ 47,546</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, 2019 And 2018

The summary of inputs used to value the AMREF’s investments as of September 30, 2019 and 2018 are as follows:

	<u>2019</u>			
	<u>Total</u>	<u>Level 1 Quoted Prices</u>	<u>Level 2 Other Significant Observable Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>
Investments				
Money Market Funds	\$ 90,980	\$ 90,980	\$ -	\$ -
Mutual Funds				
Equity	916,848	916,848	-	-
Bond	<u>339,050</u>	<u>339,050</u>	<u>-</u>	<u>-</u>
	<u>\$1,346,878</u>	<u>\$1,346,878</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>2018</u>			
	<u>Total</u>	<u>Level 1 Quoted Prices</u>	<u>Level 2 Other Significant Observable Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>
Investments				
Money Market Funds	\$ 270,187	\$ 270,187	\$ -	\$ -
Certificate of Deposit	962,515	-	962,515	-
Mutual Funds				
Equity	497,102	497,102	-	-
Bond	<u>178,215</u>	<u>178,215</u>	<u>-</u>	<u>-</u>
	<u>\$1,908,019</u>	<u>\$ 945,504</u>	<u>\$ 962,515</u>	<u>\$ -</u>

There were no transfers between Level 1 and 2 during the year ended September 30, 2019 and 2018.

(3) LOAN RECEIVABLE

In December 2018, AMREF signed an agreement to loan funds to AMREF Health Africa (Kenya). The \$750,000 loan has an interest rate of 5%, with equal monthly payments of \$22,478, plus interest that runs through December 2021. As of September 30, 2019, the loan receivable was \$572,890. A previous loan of \$500,000 made to AMREF Health Africa (Kenya) on July 29, 2016, was fully paid off, plus interest, over the two year period ending September 30, 2018.

AMREF HEALTH AFRICA, INC.
(UNITED STATES)

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2019 And 2018

(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, 2019 and 2018, AMREF made contributions of approximately \$34,000 and \$40,300, respectively.

(5) NET ASSETS

Net assets were subject to the following restrictions as of September 30, 2019 and 2018:

SUBJECT TO EXPENDITURE FOR SPECIAL PURPOSE

	<u>2019</u>	<u>2018</u>
Youth Advocacy – Kenya	\$ -	\$1,173,095
Youth in Action – Kenya	<u>1,251,533</u>	<u>-</u>
	<u>\$1,251,533</u>	<u>\$1,173,095</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes in the amount of \$1,321,562 for the year ended September 30, 2019.

(6) COMMITMENTS AND CONTINGENCIES

LEASE COMMITMENTS

On July 11, 2017, AMREF entered into an agreement to lease office space for its New York office under a noncancelable lease which runs from October 15, 2017 through February 15, 2028. Under the lease, 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. Deferred rent for 2019 and 2018 was \$69,743 and \$56,843, respectively. The month to month lease agreement for AMREF's Washington DC office was terminated as of June 30, 2019. Total rent expense for 2019 and 2018 was approximately \$163,000 and \$172,000, respectively.

Future minimum rental commitments under this lease are as follows:

<u>Year Ended September 30:</u>	<u>Amount</u>
2020	\$ 131,200
2021	134,200
2022	137,200
2023	150,200
2024	154,000
2025 and thereafter	<u>546,000</u>
	<u>\$1,252,800</u>

AMREF HEALTH AFRICA, INC.
(UNITED STATES)

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2019 And 2018

GRANTS

Under the terms of the U.S. Government grants, which are made based upon the acceptance by the U.S. Government of the program proposals submitted by AMREF, amounts are stipulated for both direct program costs and administrative overhead costs. While AMREF is the prime contractor under these awards, the majority of the U.S. Government contract work is carried out by AMREF's affiliate, AMREF Health Africa (Kenya) ("Subrecipient"). The administrative overhead rates used by AMREF and its subrecipient, while provisionally approved, is subject to review and final approval by the U.S. Government. The AMREF administrative overhead rate has been approved through September 30, 2017 while its subrecipient's rate has been approved through 2015. Relative to the indirect costs charged by the subrecipient, final proposed rates have been calculated and submitted to the U.S. Government for approval. The provisional rate used in the billing process from 2016 (commencement of the government contract for which the subrecipient used their provisional indirect rate) through 2019 was a rate in excess of the final calculated rates. A total of approximately \$186,000 of excess indirect costs were charged under these government contracts and will require reimbursement to the government once the final rates are approved. The reimbursement will be made by the subrecipient and will not have an effect on the financial position or results of operations of AMREF.

(7) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

AMREF strives to maintain liquid financial assets to be available as its general expenditures, liabilities and other obligations become due. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments. As part of the AMREF's liquidity management, it has a practice to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

The following table reflects AMREF's financial assets as of September 30, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions. Amounts not available to meet general expenditures within one year may include net assets with donor and/or contractual restrictions.

	<u>2019</u>
Financial Assets	
Cash and cash equivalents	\$ 1,230,615
Investments	1,346,878
Grants receivable	546,139
Notes receivable (due within one year)	<u>246,696</u>
Total financial assets	3,370,328
Less:	
Net assets with donor restrictions	<u>(1,251,533)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,118,795</u>

(8) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, March 11, 2020, have been evaluated in the preparation of the financial statements.