

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

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

SEPTEMBER 30, 2020

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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 11, 2020. 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.

Tait, Weller & Baker LLP

Philadelphia, Pennsylvania
March 23, 2021

AMREF HEALTH AFRICA, INC.
(UNITED STATES)

STATEMENTS OF FINANCIAL POSITION

September 30, 2020 And 2019

ASSETS	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,117,101	\$ 1,230,615
Investments <i>(Note 2)</i>	1,641,440	1,346,878
Grants receivable		
U.S. Government	174,864	475,852
Other	288,722	70,287
Note receivable <i>(Note 3)</i>	418,309	572,890
Prepaid expenses and other assets	30,816	57,524
Furniture and equipment, net of accumulated depreciation of \$177,463 and \$162,392	16,528	21,270
Security deposits	<u>62,824</u>	<u>62,824</u>
Total assets	<u>\$ 3,750,604</u>	<u>\$ 3,838,140</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 18,134	\$ 95,405
Due to AMREF/Kenya	167,300	321,408
Refundable advance <i>(Note 7)</i>	211,683	-
Deferred rent <i>(Note 6)</i>	<u>79,756</u>	<u>69,743</u>
Total liabilities	<u>476,873</u>	<u>486,556</u>
Net Assets		
Without donor restrictions	2,194,342	2,100,051
With donor restrictions <i>(Note 5)</i>	<u>1,079,389</u>	<u>1,251,533</u>
Total net assets	<u>3,273,731</u>	<u>3,351,584</u>
Total liabilities and net assets	<u>\$ 3,750,604</u>	<u>\$ 3,838,140</u>

AMREF HEALTH AFRICA, INC.
(UNITED STATES)

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended September 30, 2020 And Summarized Information For 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020</u>	<u>2019</u>
Support and Revenues				
Federal awards	\$ 2,636,938	\$ -	\$ 2,636,938	\$ 3,142,461
Foundations, corporate grants and individual donations	3,682,227	1,211,932	4,894,159	2,488,538
Special events (net of expenses of \$0 and \$114,612 in 2020 and 2019)	22,737	-	22,737	143,801
Other income	58,023	-	58,023	111,001
Interest and dividend income	31,973	-	31,973	63,141
Released from restriction (<i>Note 5</i>)	<u>1,384,076</u>	<u>(1,384,076)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>7,815,974</u>	<u>(172,144)</u>	<u>7,643,830</u>	<u>5,948,942</u>
Expenses				
Program Services				
Health training, education and primary care	3,979,454	-	3,979,454	3,548,150
Clinical services	2,149,657	-	2,149,657	1,037,321
Evaluation and operations research	<u>138,239</u>	<u>-</u>	<u>138,239</u>	<u>78,220</u>
Total program services	<u>6,267,350</u>	<u>-</u>	<u>6,267,350</u>	<u>4,663,691</u>
Supporting Services				
Management and general	791,359	-	791,359	808,452
Fund raising	<u>720,914</u>	<u>-</u>	<u>720,914</u>	<u>740,503</u>
Total supporting services	<u>1,512,273</u>	<u>-</u>	<u>1,512,273</u>	<u>1,548,955</u>
Total expenses	<u>7,779,623</u>	<u>-</u>	<u>7,779,623</u>	<u>6,212,646</u>
Excess (deficit) of operating revenues over expenses	36,351	(172,144)	(135,793)	(263,704)
Other Changes				
Realized and unrealized net gains	<u>57,940</u>	<u>-</u>	<u>57,940</u>	<u>26,557</u>
Change in net assets	94,291	(172,144)	(77,853)	(237,147)
Net Assets				
Beginning of year	<u>2,100,051</u>	<u>1,251,533</u>	<u>3,351,584</u>	<u>3,588,731</u>
End of year	<u>\$ 2,194,342</u>	<u>\$ 1,079,389</u>	<u>\$ 3,273,731</u>	<u>\$ 3,351,584</u>

AMREF HEALTH AFRICA, INC.
(UNITED STATES)

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended September 30, 2020 With Summarized Information For 2019

	<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>2020</u>	<u>2019</u>
Grants and Program Expenses:								
Awards to AMREF-Kenya	\$ 3,572,079	\$ 1,884,882	\$ 50,655	\$ 5,507,616	\$ -	\$ -	\$ 5,507,616	\$ 4,096,570
Other program grants	<u>197,529</u>	<u>168,241</u>	<u>66,442</u>	<u>432,212</u>	<u>-</u>	<u>-</u>	<u>432,212</u>	<u>239,962</u>
Total grants	<u>3,769,608</u>	<u>2,053,123</u>	<u>117,097</u>	<u>5,939,828</u>	<u>-</u>	<u>-</u>	<u>5,939,828</u>	<u>4,336,532</u>
Other Expenses:								
Salaries, payroll taxes and related benefits	117,703	56,905	16,458	191,066	629,232	495,568	1,315,866	1,097,253
Professional fees and services	-	-	-	-	23,250	-	23,250	22,250
Consultants	52,281	28,035	1,632	81,948	-	13,447	95,395	184,550
Travel	2,435	1,306	76	3,817	13,162	13,162	30,141	76,317
Memberships and registration fees	16,149	-	-	16,149	-	-	16,149	14,631
Occupancy	14,009	6,773	1,959	22,741	74,891	58,983	156,615	165,946
Insurance	-	-	-	-	3,819	2,341	6,160	5,738
Telecommunications	-	-	-	-	-	10,721	10,721	10,652
Postage and shipping	-	-	-	-	-	4,045	4,045	5,348
Direct mail	-	-	-	-	-	53,879	53,879	52,362
Special events	-	-	-	-	-	15,662	15,662	127,217
Equipment maintenance	-	-	-	-	7,728	11,504	19,232	12,033
Public relations	-	-	-	-	-	1,282	1,282	4,196
Miscellaneous	<u>5,921</u>	<u>2,863</u>	<u>828</u>	<u>9,612</u>	<u>32,070</u>	<u>34,644</u>	<u>76,326</u>	<u>84,170</u>
Total other expenses	<u>208,498</u>	<u>95,882</u>	<u>20,953</u>	<u>325,333</u>	<u>784,152</u>	<u>715,238</u>	<u>1,824,723</u>	<u>1,862,663</u>
Total expenses before depreciation and amortization	3,978,106	2,149,005	138,050	6,265,161	784,152	715,238	7,764,551	6,199,195
Depreciation and Amortization	<u>1,348</u>	<u>652</u>	<u>189</u>	<u>2,189</u>	<u>7,207</u>	<u>5,676</u>	<u>15,072</u>	<u>13,451</u>
Total Expenses – 2020	<u>\$ 3,979,454</u>	<u>\$ 2,149,657</u>	<u>\$ 138,239</u>	<u>\$ 6,267,350</u>	<u>\$ 791,359</u>	<u>\$ 720,914</u>	<u>\$ 7,779,623</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>

See accompanying notes to financial statements.

AMREF HEALTH AFRICA, INC.
(UNITED STATES)

STATEMENTS OF CASH FLOWS

For The Years Ended September 30, 2020 And 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ (77,853)	\$ (237,147)
<i>Adjustments to reconcile change in net assets to net cash used for operating activities</i>		
Depreciation	15,071	13,451
Realized/unrealized gains on investments	(57,940)	(26,557)
(Increase) decrease in		
Grants receivable		
U.S. Government	300,988	(134,261)
Other	(218,435)	13,265
Prepaid expenses and other assets	26,708	36,155
Security deposits	-	3,350
(Decrease) increase in		
Accounts payable	(77,271)	(13,891)
Due to AMREF/Kenya	(154,108)	4,788
Deferred revenue	-	(59,578)
Deferred rent	10,013	12,900
Refundable advance	<u>211,683</u>	<u>-</u>
Net cash used for operating activities	<u>(21,144)</u>	<u>(387,525)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in short-term investments	(34,769)	1,230,187
Purchases of investments	(341,390)	(3,074,602)
Proceeds from sale of investments	139,537	2,432,113
Purchase of equipment	<u>(10,329)</u>	<u>(4,834)</u>
Net cash provided by (used for) investing activities	<u>(246,951)</u>	<u>582,864</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of note receivable	-	(750,000)
Repayment of note receivable	<u>154,581</u>	<u>177,110</u>
Net cash provided by (used for) financing activities	<u>154,581</u>	<u>(572,890)</u>
Net decrease in cash	(113,514)	(377,551)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,230,615</u>	<u>1,608,166</u>
End of year	<u>\$ 1,117,101</u>	<u>\$ 1,230,615</u>

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 And 2019

(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 Sub-Saharan 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, 2020 And 2019

REVENUE RECOGNITION

AMREF recognizes contributions when cash, securities or other assets, and unconditional promise to give, or a notification of a beneficial interest is received. Conditional contributions include donor-imposed conditions with one or more barriers that must be overcome before AMREF 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. AMREF recognizes the contribution when the conditions are substantially met or explicitly 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.***” AMREF records unconditional promises to give (pledges) as a receivable and revenue in the year pledged.

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 (2017 – 2019) or expected to be taken in AMREF’s 2020 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 supporting services have been summarized on the consolidated statement of activities and changes in net assets on a functional basis. Most expenses can be directly allocated to programs or supporting functions. Certain categories of expenses are attributed to more than one program or supporting function. The expenses in these categories include occupancy, depreciation, office expenses, insurance, salaries and wages of support personnel and require allocation on a reasonable basis that is consistently applied. The allocation of expenses is based on allocation factors such as direct cost, level of effort and other factors as determined by management.

AMREF HEALTH AFRICA, INC.
(UNITED STATES)

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2020 And 2019

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 AMREF's audited financial statements for the year ended September 30, 2019, from which the summarized information was derived.

RECENT ACCOUNTING PRONOUNCEMENTS - ADOPTED

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and determining whether a transaction is conditional. Effective October 1, 2019, AMREF adopted ASU 2018-08 and evaluated all awards and amendments executed after this date. No changes were made to agreements signed on or before September 30, 2019. The standard was adopted on a modified prospective basis and there were no changes to the opening balance of net assets. Under ASU 2018-08, contributions are conditional if the agreement includes both a donor-imposed barrier that must be overcome and a right of return or release of contributions or release of contributions to be received. The adoption of ASU 2018-08 only impacts awards that were not recognized at the date of adoption.

NEW 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). The 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 to fiscal years beginning after December 15, 2018, then further issued ASU 2020-05 in June of 2020 delaying implementation by another year to fiscal years beginning after December 15, 2019. AMREF plans to adopt this new ASU at the required implementation date.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The FASB issued ASU 2020-05 in June of 2020 that deferred the effective date of ASU 2016-02 by a year thus the effective date is 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. AMREF plans to adopt the new ASU at the required implementation date.

AMREF HEALTH AFRICA, INC.
(UNITED STATES)

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2020 And 2019

(2) INVESTMENTS

The following is a summary of AMREF's investments at September 30, 2020 and 2019:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Money Market Funds	\$ 125,749	\$ 125,749	\$ 90,980	\$ 90,980
Mutual Funds				
Equity	886,219	942,034	887,036	916,848
Bond	<u>540,286</u>	<u>573,657</u>	<u>324,712</u>	<u>339,050</u>
Total	<u>\$1,552,254</u>	<u>\$1,641,440</u>	<u>\$1,302,728</u>	<u>\$1,346,878</u>

At September 30, 2020 and 2019, unrealized gains were \$89,186 and \$44,150, respectively.

The following summarizes the investment return for the years ended September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest income	\$ 31,973	\$ 63,141
Realized gains	12,904	107,238
Unrealized gains (losses)	<u>45,036</u>	<u>(80,681)</u>
Total investment income – investments	<u>\$ 89,913</u>	<u>\$ 89,698</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 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 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, 2020 And 2019

The summary of inputs used to value AMREF’s investments as of September 30, 2020 and 2019 are as follows:

	2020			
	Total	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Investments				
Money Market Funds	\$ 125,749	\$ 125,749	\$ -	\$ -
Mutual Funds				
Equity	942,034	942,034	-	-
Bond	<u>573,657</u>	<u>573,657</u>	-	-
	<u>\$1,641,440</u>	<u>\$1,641,440</u>	<u>\$ -</u>	<u>\$ -</u>
	2019			
	Total	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs
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>\$1,346,878</u>	<u>\$1,346,878</u>	<u>\$ -</u>	<u>\$ -</u>

(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 ten monthly payments of \$22,478 and twenty monthly payments of \$28,865, plus interest that runs through December 2021. The change in the monthly payments reflects a six-month suspension of payments made to AMREF from November 2019 through April 2020, but allowing the loan to mature on the original, agreed upon date. As of September 30, 2020 and 2019, the loan receivable was \$418,309 and \$572,890, respectively.

(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, 2020 and 2019, AMREF made contributions of approximately \$42,000 and \$34,000, respectively.

AMREF HEALTH AFRICA, INC.
(UNITED STATES)

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2020 And 2019

(5) NET ASSETS

Net assets were subject to the following restrictions as of September 30, 2020 and 2019:

SUBJECT TO EXPENDITURE FOR SPECIAL PURPOSE

	<u>2020</u>	<u>2019</u>
Youth in Action – Kenya	<u>\$1,079,389</u>	<u>\$1,251,533</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes in the amount of \$1,384,076 for the year ended September 30, 2020.

(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 2020 and 2019 was \$79,756 and \$69,743, respectively. Total rent expense for 2020 and 2019 was approximately \$153,000 and \$163,000, respectively.

Future minimum rental commitments under this lease are as follows:

<u>Year Ended September 30:</u>	<u>Amount</u>
2021	\$ 134,200
2022	137,200
2023	150,200
2024	154,000
2025	157,400
2026 and thereafter	<u>388,600</u>
	<u>\$1,121,600</u>

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. AMREF's 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 2020 was a rate in excess of the final calculated rates. A total of approximately \$272,000 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.

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

September 30, 2020 And 2019

(7) REFUNDABLE ADVANCE

On May 8, 2020, AMREF received a \$211,683 loan under the Small Business Administration’s (“SBA”) Paycheck Protection Program (the “PPP Loan”). AMREF considers this to be a conditional contribution and it expects to meet the criteria for loan forgiveness. AMREF considers the incurrence of eligible expenses and the acceptance of its application for forgiveness by the SBA to be barriers in the PPP Loan agreement and as such, will recognize contribution income when these conditions are substantially met. If such conditions are not met, AMREF is required to repay the PPP Loan in two years from the date of the agreement at a 1% annual interest rate.

On February 1, 2021, AMREF was notified that the loan was forgiven by the SBA. This amount will be included as grant revenue in AMREF’s fiscal 2021 operating results.

(8) 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 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, 2020 and 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>2020</u>	<u>2019</u>
Financial Assets		
Cash and cash equivalents	\$ 1,117,101	\$ 1,230,615
Investments	1,641,440	1,346,878
Grants receivable	463,586	546,139
Notes receivable (due within one year)	<u>333,000</u>	<u>246,696</u>
Total financial assets	3,555,127	3,370,328
Less:		
Net assets with donor restrictions	<u>(1,079,389)</u>	<u>(1,251,533)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,475,738</u>	<u>\$ 2,118,795</u>

(9) CONTINGENCIES

In early 2020, an outbreak of a novel strain of coronavirus (“COVID-19”) emerge globally. As a result, there have been mandates from federal, state and local authorities resulting in an overall decline in economic activity. The ultimate impact of COVID – 19 on AMREF’s operation is not reasonably estimable at this time.

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NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2020 And 2019

(10) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, March 23, 2021, have been evaluated in the preparation of the financial statements.

On March 3, 2021, AMREF received a \$214,336 Paycheck Protection Program Second Draw Loan (“PPP Second Draw Loan”) under the Consolidated Appropriations Act 2021, Additional Coronavirus Response and Relief provisions. PPP Second Draw Loans are eligible for forgiveness if AMREF incurs qualifying expenses over a period of time not to exceed 24 weeks. The period of time in which qualifying expenses may be incurred commences upon receipt of the loan. Any portion of the loan not forgiven is payable over a 5-year period at an interest rate of 1%.