

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

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

SEPTEMBER 30, 2022

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**

Opinion

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, 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AMREF as of September 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of AMREF and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about AMREF’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 AMREF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about AMREF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited AMREF's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 15, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tait, Weller & Baker LLP

Philadelphia, Pennsylvania
April 28, 2023

AMREF HEALTH AFRICA, INC.
(UNITED STATES)

STATEMENTS OF FINANCIAL POSITION

September 30, 2022 And 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$3,801,544	\$ 1,004,678
Investments <i>(Note 2)</i>	1,790,027	2,096,162
Grants receivable		
U.S. Government	-	15,789
Other	-	41,048
Contributions receivable	32,500	-
Note receivable <i>(Note 3)</i>	-	83,891
Advance to AMREF Africa	-	7,927,272
Prepaid expenses and other assets	48,264	66,186
Furniture and equipment, net of accumulated depreciation of \$190,248 and \$185,999	3,443	7,692
Security deposit <i>(Note 7)</i>	<u>62,825</u>	<u>62,825</u>
Total assets	<u>\$5,738,603</u>	<u>\$11,305,543</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 139,384	\$ 104,741
Due to AMREF/Kenya	286,792	543,237
Deferred revenue	8,147	7,000
Deferred rent <i>(Note 7)</i>	<u>90,855</u>	<u>86,816</u>
Total liabilities	<u>525,178</u>	<u>741,794</u>
Net Assets		
Without donor restrictions	1,929,165	2,544,829
With donor restrictions <i>(Note 6)</i>	<u>3,284,260</u>	<u>8,018,920</u>
Total net assets	<u>5,213,425</u>	<u>10,563,749</u>
Total liabilities and net assets	<u>\$5,738,603</u>	<u>\$11,305,543</u>

AMREF HEALTH AFRICA, INC.
(UNITED STATES)

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended September 30, 2022 And Summarized Information For 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022</u>	<u>2021</u>
Support and Revenues				
Federal awards	\$ -	\$ -	\$ -	\$ 658,107
Foundations, corporate grants and individual donations	6,084,032	5,089,739	11,173,771	21,283,950
PPP grant revenue <i>(Note 9)</i>	-	-	-	426,019
Special events	155,935	-	155,935	153,126
Other income	93,911	-	93,911	37,321
Interest and dividend income	46,604	-	46,604	32,441
Released from restriction <i>(Note 6)</i>	<u>9,824,399</u>	<u>(9,824,399)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>16,204,881</u>	<u>(4,734,660)</u>	<u>11,470,221</u>	<u>22,590,964</u>
Expenses				
Program Services				
Health training, education and primary care	1,127,287	-	1,127,287	10,627,820
Clinical services	12,837,437	-	12,837,437	2,067,121
Evaluation and operations research	<u>626,190</u>	<u>-</u>	<u>626,190</u>	<u>1,557,666</u>
Total program services	<u>14,590,914</u>	<u>-</u>	<u>14,590,914</u>	<u>14,252,607</u>
Supporting Services				
Management and general	755,416	-	755,416	544,365
Fund raising	<u>1,072,770</u>	<u>-</u>	<u>1,072,770</u>	<u>740,933</u>
Total supporting services	<u>1,828,186</u>	<u>-</u>	<u>1,828,186</u>	<u>1,285,298</u>
Total expenses	<u>16,419,100</u>	<u>-</u>	<u>16,419,100</u>	<u>15,537,905</u>
Excess (deficit) of operating revenues over expenses	(214,219)	(4,734,660)	(4,948,879)	7,053,059
Other Changes				
Realized and unrealized net gains	<u>(401,445)</u>	<u>-</u>	<u>(401,445)</u>	<u>236,959</u>
Change in net assets	(615,664)	(4,734,660)	(5,350,324)	7,290,018
Net Assets				
Beginning of year	<u>2,544,829</u>	<u>8,018,920</u>	<u>10,563,749</u>	<u>3,273,731</u>
End of year	<u>\$ 1,929,165</u>	<u>\$ 3,284,260</u>	<u>\$ 5,213,425</u>	<u>\$10,563,749</u>

AMREF HEALTH AFRICA, INC.
(UNITED STATES)

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended September 30, 2022 With Summarized Information For 2021

	<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>2022</u>	<u>2021</u>
Grants:								
Awards to AMREF-Kenya	\$ 674,304	\$ 12,807,272	\$ 619,867	\$ 14,101,443	\$ -	\$ -	\$ 14,101,443	\$ 13,676,673
Other program grants	179,310	30,165	-	209,475	-	-	209,475	129,144
Total grants	<u>853,614</u>	<u>12,837,437</u>	<u>619,867</u>	<u>14,310,918</u>	<u>-</u>	<u>-</u>	<u>14,310,918</u>	<u>13,805,817</u>
Other Expenses:								
Salaries, payroll taxes and related benefits	101,006	-	5,479	106,485	450,576	431,253	988,314	1,117,670
Professional fees and services	150,000	-	-	150,000	91,756	-	241,756	45,750
Consultants	6,000	-	-	6,000	43,837	33,077	82,914	123,689
Travel	236	-	-	236	23,890	3,346	27,472	2,648
Memberships and registration fees	-	-	-	-	7,542	6,451	13,993	18,181
Occupancy	15,561	-	844	16,405	69,414	66,438	152,257	154,598
Insurance	-	-	-	-	3,403	-	3,403	5,268
Telecommunications	-	-	-	-	14,741	79	14,820	10,787
Postage and shipping	-	-	-	-	2,010	3,047	5,057	3,715
Donor acquisition	-	-	-	-	-	368,435	368,435	85,310
Special events	-	-	-	-	-	111,323	111,323	56,291
Equipment maintenance	-	-	-	-	17,039	18,352	35,391	29,524
Public relations	-	-	-	-	-	4,908	4,908	695
Miscellaneous	870	-	-	870	26,959	26,061	53,890	69,126
Total other expenses	<u>273,673</u>	<u>-</u>	<u>6,323</u>	<u>279,996</u>	<u>751,167</u>	<u>1,072,770</u>	<u>2,103,933</u>	<u>1,723,252</u>
Total expenses before depreciation and amortization	1,127,287	12,837,437	626,190	14,590,914	751,167	1,072,270	16,414,851	15,529,069
Depreciation and Amortization	-	-	-	-	4,249	-	4,249	8,836
Total Expenses – 2022	<u>\$ 1,127,287</u>	<u>\$ 12,837,437</u>	<u>\$ 626,190</u>	<u>\$ 14,590,914</u>	<u>\$ 755,416</u>	<u>\$ 1,072,270</u>	<u>\$ 16,419,100</u>	
Total Expenses – 2021	<u>\$ 10,627,820</u>	<u>\$ 2,067,121</u>	<u>\$ 1,557,666</u>	<u>\$ 14,252,607</u>	<u>\$ 544,365</u>	<u>\$ 740,933</u>		<u>\$ 15,537,905</u>

See accompanying notes to financial statements.

AMREF HEALTH AFRICA, INC.
(UNITED STATES)

STATEMENTS OF CASH FLOWS

For The Years Ended September 30, 2022 And 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$(5,350,324)	\$ 7,290,018
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	4,249	8,836
Realized/unrealized (gains) losses on investments	401,445	(236,959)
(Increase) decrease in		
Grants receivable		
U.S. Government	15,789	159,075
Other	41,048	247,674
Contributions receivable	(32,500)	-
Advance to AMREF Africa	7,927,272	(7,927,272)
Prepaid expenses and other assets	17,922	(35,371)
(Decrease) increase in		
Accounts payable	34,643	86,607
Due to AMREF/Kenya	(256,445)	375,937
Deferred revenue	1,147	7,000
Deferred rent	4,039	7,060
Refundable advance	-	(211,683)
Net cash provided by (used for) operating activities	<u>2,808,285</u>	<u>(229,078)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in short-term investments	(35,568)	(4,863)
Purchase of investments	(59,742)	(212,900)
Net cash used for investing activities	<u>(95,310)</u>	<u>(217,763)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of note receivable	83,891	334,418
Net cash provided by financing activities	<u>83,891</u>	<u>334,418</u>
Net increase (decrease) in cash	2,796,866	(112,423)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,004,678</u>	<u>1,117,101</u>
End of year	<u>\$ 3,801,544</u>	<u>\$ 1,004,678</u>

AMREF HEALTH AFRICA, INC. (UNITED STATES)

NOTES TO FINANCIAL STATEMENTS

September 30, 2022 And 2021

(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.

AMREF HEALTH AFRICA, INC.
(UNITED STATES)

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2022 And 2021

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, including government grants, 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.

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.

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 (2019 – 2021) or expected to be taken in AMREF’s 2022 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, 2022 And 2021

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, 2021, from which the summarized information was derived.

NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The 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.

(2) INVESTMENTS

The following is a summary of AMREF’s investments at September 30, 2022 and 2021:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Money Market Funds	\$ 171,677	\$ 171,677	\$ 130,612	\$ 130,612
Common Stock	15,239	15,239	5,439	5,439
Mutual Funds				
Equity	1,051,132	1,064,867	1,023,255	1,332,750
Bond	<u>627,278</u>	<u>538,244</u>	<u>610,711</u>	<u>627,361</u>
Total	<u>\$1,865,326</u>	<u>\$1,790,027</u>	<u>\$1,770,017</u>	<u>\$2,096,162</u>

At September 30, 2022 and 2021, unrealized gains (losses) were \$(75,299) and \$326,145, respectively.

The following summarizes the investment return for the years ended September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest income	\$ 46,604	\$ 32,441
Unrealized gains (losses)	<u>(401,445)</u>	<u>236,959</u>
Total investment income – investments	<u>\$(354,841)</u>	<u>\$269,400</u>

AMREF HEALTH AFRICA, INC.
(UNITED STATES)

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2022 And 2021

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.

The summary of inputs used to value AMREF’s investments as of September 30, 2022 and 2021 are as follows:

	<u>2022</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	\$ 171,677	\$ 171,677	\$ -	\$ -
Common Stock	15,239	15,239	-	-
Mutual Funds				
Equity	1,064,867	1,064,867	-	-
Bond	<u>538,244</u>	<u>538,244</u>	<u>-</u>	<u>-</u>
	<u>\$1,790,027</u>	<u>\$1,790,027</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>2021</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	\$ 130,612	\$ 130,612	\$ -	\$ -
Common Stock	5,439	5,439	-	-
Mutual Funds				
Equity	1,332,750	1,332,750	-	-
Bond	<u>627,361</u>	<u>627,361</u>	<u>-</u>	<u>-</u>
	<u>\$2,096,162</u>	<u>\$2,096,162</u>	<u>\$ -</u>	<u>\$ -</u>

AMREF HEALTH AFRICA, INC.
(UNITED STATES)

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2022 And 2021

(3) LOAN RECEIVABLE

In December 2018, AMREF signed an agreement to loan funds to AMREF Health Africa (Kenya). The \$750,000 loan had an interest rate of 5%, with ten monthly payments of \$22,478 and twenty monthly payments of \$28,865, plus interest that ran 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, 2022, the loan had been completely paid in full, while at September 30, 2021, the loan receivable was \$83,891.

(4) ADAVANCES TO AMREF AFRICA

In August 2021, AMREF received a grant totaling \$8 million to increase access to an uptake of COVID-19 vaccines in four African countries. The proceeds of the grant were sent to AMREF Health Africa (Kenya), net of administrative fees, in September 2021. As program implementation had not yet taken place as of September 30, 2021, the funds sent to AMREF Health Africa (Kenya) were recorded as an advance to AMREF Africa on the statement of financial position.

(5) 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, 2022 and 2021, AMREF made contributions of approximately \$34,000 and \$56,000, respectively.

(6) NET ASSETS

Net assets were subject to the following restrictions as of September 30, 2022 and 2021:

SUBJECT TO EXPENDITURE FOR SPECIAL PURPOSE

	<u>2022</u>	<u>2021</u>
COVID-19 Vaccination Access	\$ 2,701,144	\$ 8,000,000
Digital Health Workforce	583,116	-
Youth in Action – Kenya	<u>-</u>	<u>18,920</u>
	<u>\$ 3,284,260</u>	<u>\$ 8,018,920</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes in the amount of \$9,824,399 for the year ended September 30, 2022.

AMREF HEALTH AFRICA, INC.
(UNITED STATES)

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2022 And 2021

(7) COMMITMENTS AND CONTINGENCIES

LEASE COMMITMENTS

AMREF has a lease 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 2022 and 2021 was \$90,855 and \$86,816, respectively. Total rent expense for both 2022 and 2021 was approximately \$151,100 and \$150,700, respectively.

On September 20, 2022, AMREF entered into an agreement to sublease all of its office space for its New York office. The sublease agreement runs from October 1, 2022 through February 28, 2028 and provides four months free rent to the sublease. Monthly sublease income is \$8,148 for the first year, increasing 3% annually, on each commencement anniversary date.

Future approximate minimum rental commitments (exclusive of electricity and real estate taxes) and sublease rental income, under all non-cancelable operating leases at September 30, 2022 are as follows:

<u>Fiscal Year</u>	<u>Commitments</u>	<u>Sublease Income</u>	<u>Commitments Net of Sublease Income</u>
2023	\$ 150,200	\$ 65,200	\$ 85,000
2024	154,000	100,700	53,300
2025	157,400	103,700	53,700
2026	161,000	106,800	54,200
2027	164,600	110,000	54,600
2028	<u>63,000</u>	<u>47,200</u>	<u>15,800</u>
	<u>\$ 850,200</u>	<u>\$ 533,600</u>	<u>\$ 316,600</u>

AMREF has a irrevocable standby letter of credit in favor of the lessor in the amount of \$62,825. A separate bank account has been established to segregate the security deposit and is included as “security deposit” in the statements of financial position.

GRANTS

Under the terms of the U.S. Government grants, which were made based upon the acceptance by the U.S. Government of the program proposals submitted by AMREF, amounts were stipulated for both direct program costs and administrative overhead costs. While AMREF was the prime contractor under these awards, the majority of the U.S. Government contract work was carried out by AMREF’s affiliate, AMREF Health Africa (Kenya) (“Subrecipient”). The administrative overhead rates used by AMREF and its subrecipient, while provisionally approved, are subject to review and final approval by the U.S. Government. AMREF’s administrative overhead rate was approved through September 30, 2017 while its Subrecipient’s rate had been approved through 2015. Relative to the indirect costs charged by the Subrecipient, final proposed rates had 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 in which the Subrecipient used their provisional indirect rate) through 2021 was a rate in excess of the final calculated rates. A total of approximately \$271,000 of excess indirect costs were charged under these government contracts and will require reimbursement to the U.S. Government once the final rates are approved. The Subrecipient is currently in discussion with the U.S. Government. The reimbursement will be made by the subrecipient and will not have an effect on the financial position or results of operations of AMREF.

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2022 And 2021

(8) CONDITIONAL PROMISES TO GIVE

At September 30, 2022 AMREF has received conditional promises to give, which are subject to donor-imposed conditions including barriers that must be overcome by AMREF and a right of release of donor from their obligation to transfer any future payments, as follows:

Year Ending March 31,

2023	\$1,583,897
2024	1,477,146
2025	<u>275,743</u>
	<u>\$3,336,786</u>

(9) PAYROLL PROTECTION PROGRAM

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 upon incurring eligible expenditures and when its application for forgiveness is accepted by the SBA. 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, would recognize contribution income when these conditions are substantially met. As of September 30, 2020, AMREF had recorded \$211,683 as a refundable advance. During the year ended September 30, 2021, AMREF had met all conditions of the program and the loan was forgiven on February 1, 2021. As such, the loan has been recognized in the Statement of Activities and Changes in Net Assets with PPP grant revenue in fiscal year 2021.

On March 3, 2021, AMREF received a \$214,336 loan under the Small Business Administration’s (“SBA”) Paycheck Protection Program Second Draw Loan (“PPP Second Draw Loan”) under the Consolidated Appropriations Act 2021, Additional Coronavirus Response and Relief provisions. AMREF considers this to be a conditional contribution and it expects to meet the criteria for loan forgiveness upon incurring eligible expenditures and when its application for forgiveness is accepted by the SBA. As AMREF believes it has met the conditions and incurred expenses in the amount of \$214,336 as of September 30, 2021, the amount has been recognized in the Statement of Activities and Changes in Net Assets with PPP grant revenue in fiscal year 2021.

(10) 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.

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2022 And 2021

The following table reflects AMREF’s financial assets as of September 30, 2022 and 2021, 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>2022</u>	<u>2021</u>
Financial Assets		
Cash and cash equivalents	\$ 3,801,544	\$ 1,004,678
Investments	1,790,027	2,096,162
Grants receivable	-	56,837
Contributions receivable	32,500	-
Notes receivable (due within one year)	-	83,891
Advance to AMREF Africa	-	<u>7,927,272</u>
Total financial assets	5,624,071	11,168,840
Less:		
Net assets with donor restrictions	<u>(3,284,260)</u>	<u>(8,018,920)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,339,811</u>	<u>\$ 3,149,920</u>

(11) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, April 28, 2023, have been evaluated in the preparation of the financial statements.