

# **AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.**

## **AUDIT REPORT**

### **FINANCIAL STATEMENTS AND FEDERAL UNIFORM GUIDANCE REPORTS**

**SEPTEMBER 30, 2017  
(With Independent Auditor's Report Thereon)**



# AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

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# SECTION I



**AMERICAN INTERNATIONAL  
HEALTH ALLIANCE, INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**



# AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
American International Health Alliance, Inc.  
Washington, D.C.**

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the American International Health Alliance, Inc. ("AIHA") (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities and change in net assets, functional expenses, and 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves 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 for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AIHA as of September 30, 2017, and the change 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.

**To the Board of Directors  
American International Health Alliance, Inc.**

***Prior Period Financial Statements***

The financial statements of AIHA as of September 30, 2016 and for the year then ended were audited by other auditors, whose report dated June 22, 2017, expressed an unmodified opinion on those statements.

***Other Matter***

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards on page 12, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated May 9, 2018 on our consideration of AIHA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of AIHA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AIHA's internal control over financial reporting and compliance.

*Tait, Weller & Baker LLP*

**Philadelphia, Pennsylvania  
May 9, 2018**

# AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

## STATEMENTS OF FINANCIAL POSITION

September 30, 2017 and 2016

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	<b>ASSETS</b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 695,206	\$ 200,080
Regional office advances	210,256	268,348
Sub-grant advances	205,768	103,831
Grants and contracts receivable	799,971	1,061,756
Accounts receivable	142,933	16,242
Travel advances	7,534	68,982
Prepaid expenses	118,319	54,820
Deposits	<u>71,754</u>	<u>44,504</u>
<b>TOTAL ASSETS</b>	<b><u>\$2,251,741</u></b>	<b><u>\$1,818,563</u></b>
	<b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 647,917	\$ 610,783
Accrued salaries, vacation and related benefits	443,861	436,584
Deferred grant revenue	261,833	-
Deferred rent ( <i>Note 2</i> )	<u>44,395</u>	<u>31,479</u>
Total liabilities	<u>1,398,006</u>	<u>1,078,846</u>
<b>NET ASSETS</b>		
Unrestricted	<u>853,735</u>	<u>739,717</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$2,251,741</u></b>	<b><u>\$1,818,563</u></b>

# AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

## STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For The Years Ended September 30, 2017 and 2016

	<u>Unrestricted</u>	
	<u>2017</u>	<u>2016</u>
<b>Revenue</b>		
U.S. Government grants ( <i>Note 4</i> )	\$ 10,957,586	\$ 11,102,094
In-kind contributions ( <i>Note 5</i> )	2,963,234	2,857,921
Other grants and contracts	1,462,471	61,746
Contributions	18,682	21,997
Interest and other	<u>1,106</u>	<u>104</u>
Total revenue	<u>15,403,079</u>	<u>14,043,862</u>
<b>Expenses (<i>Note 6</i>)</b>		
Program Services:		
Operations	9,935,292	9,066,922
In-kind ( <i>Note 5</i> )	<u>2,963,234</u>	<u>2,857,921</u>
Total program services	<u>12,898,526</u>	<u>11,924,843</u>
Supporting Services:		
Management and general	<u>2,397,810</u>	<u>2,076,818</u>
Total expenses	<u>15,296,336</u>	<u>14,001,661</u>
Change in net assets before other item	106,743	42,201
<b>Other Item</b>		
Gain on foreign currency exchange	<u>7,275</u>	<u>29,827</u>
Change in net assets	114,018	72,028
<b>Net Assets</b>		
Beginning of year	<u>739,717</u>	<u>667,689</u>
End of year	<u>\$ 853,735</u>	<u>\$ 739,717</u>

# AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended September 30, 2017 With Summarized Financial Information For 2016

	2017				2016	
	Program Services			Management And General	Total Expenses	Total Expenses
	Operations	In-Kind (Note 5)	Total Program Services			
U.S. salaries and wages	\$ 1,109,415	\$ 1,373,062	\$ 2,482,477	\$ 1,082,435	\$ 3,564,912	\$ 3,758,930
Fringe benefits (Note 3)	552,694	235,622	788,316	425,523	1,213,839	1,397,199
Local staff salaries	706,621	-	706,621	-	706,621	473,986
Local staff benefits	546,220	-	546,220	-	546,220	386,710
Printing and production	35,169	-	35,169	5,768	40,937	60,725
Professional fees, consultants and temporary staff	719,495	-	719,495	352,697	1,072,192	1,034,934
Office rent and utilities (Note 2)	356,925	-	356,925	143,863	500,788	527,637
Accounting/audit	8,561	-	8,561	152,864	161,425	79,486
Insurance	8,856	-	8,856	57,855	66,711	25,862
Telephone	74,869	-	74,869	13,799	88,668	65,253
Travel and travel-related expenses	2,209,077	-	2,209,077	22,576	2,231,653	2,334,343
Sub-recipients	2,655,686	-	2,655,686	-	2,655,686	2,147,403
Postage and delivery	16,281	-	16,281	1,566	17,847	10,750
Repairs and maintenance	40,917	-	40,917	3,147	44,064	30,217
Furniture and equipment	355,115	-	355,115	37,142	392,257	204,269
Subscriptions and publications	27,286	-	27,286	13,827	41,113	22,023
Business meetings expense	188,443	-	188,443	7,746	196,189	168,133
Interpreters	14,454	-	14,454	-	14,454	21,337
Bank fees	9,870	-	9,870	22,089	31,959	18,255
Hall/room rental	65,780	-	65,780	7,891	73,671	61,617
Hospital partner equipment	-	728,389	728,389	-	728,389	207,536
Electronic mail/internet	74,059	-	74,059	17,413	91,472	81,238
Office supplies	45,312	-	45,312	9,824	55,136	61,584
Partnership direct support, including related travel	-	626,161	626,161	-	626,161	700,005
Training and conferences	53,586	-	53,586	13,038	66,624	76,467
Value added tax	60,587	-	60,587	-	60,587	43,476
Other	14	-	14	6,747	6,761	2,286
	<u>\$ 9,935,292</u>	<u>\$ 2,963,234</u>	<u>\$ 12,898,526</u>	<u>\$ 2,397,810</u>	<u>\$ 15,296,336</u>	<u>\$ 14,001,661</u>

# AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

## STATEMENT OF CASH FLOWS

For The Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 114,018	\$ 72,028
Adjustments to reconcile change in net assets to net cash provided by (used in ) operating activities:		
(Increase) decrease in:		
Regional office advances	58,092	13,714
Sub-grant advances	(101,937)	(83,503)
Grants and contracts receivable	261,785	(436,722)
Accounts receivable	(126,691)	31,059
Travel advances	61,448	(35,911)
Prepaid expenses	(63,499)	17,055
Deposits	(27,250)	25,748
Increase (decrease) in:		
Accounts payable and accrued expenses	37,134	283,218
Accrued salaries, vacation and related benefits	7,277	66,599
Deferred grant revenue	261,833	-
Deferred rent	<u>12,916</u>	<u>31,479</u>
Net cash provided by (used in) operating activities	<u>495,126</u>	<u>(15,236)</u>
Net increase (decrease) in cash and cash equivalents	495,126	(15,236)
Cash and cash equivalents at beginning of year	<u>200,080</u>	<u>215,316</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 695,206</u>	<u>\$ 200,080</u>

# AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

## NOTES TO FINANCIAL STATEMENTS

September 30, 2017

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### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

#### **ORGANIZATION**

The American International Health Alliance, Inc. (“**AIHA**”) was incorporated on April 16, 1992, under the statutes of the State of Delaware. AIHA was organized to provide an institutional framework for the successful development and support of hospital partnerships between the United States and other countries.

#### **BASIS OF PRESENTATION**

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, Not-for-Profit Entities.

#### **CASH AND CASH EQUIVALENTS**

AIHA considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (“**FDIC**”) up to a limit of \$250,000. At times during the year, AIHA maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Cash and cash equivalents represent cash held in various financial institutions.

AIHA had approximately \$210,000 of cash held in foreign countries at September 30, 2017. The majority of funds held in foreign countries are uninsured. Such amount is shown under regional office advances in the accompanying Statement of Financial Position.

#### **ACCOUNTS RECEIVABLE**

Accounts receivable approximate fair value due to the short period to maturity. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

#### **OFFICE FURNITURE AND EQUIPMENT**

All office furniture and equipment purchases are expensed in the year of purchase. Partner equipment purchased with grant funds becomes the property of AIHA’s hospital partners upon the completion of the grant, subject to donor approval, and is expensed in the year purchased.

#### **CONCENTRATIONS OF CREDIT RISK**

Approximately 88% and 99% of AIHA’s revenue (excluding in-kind contributions) for the years ended September 30, 2017, and 2016, respectively, was derived from grants and contracts awarded by the United States Government or pass-through entities.

AIHA has no reason to believe that its relationship with the United States Government will be discontinued in the foreseeable future; however, any interruption of this relationship (i.e., the failure to renew agreements or withholding of funds) would adversely affect AIHA’s ability to finance ongoing operations.

# AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2017

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### **CONTINGENCIES**

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 AIHA, amounts are stipulated for both direct program costs and administrative overhead costs. The administrative overhead rate used by AIHA, while provisionally approved, is subject to review and final approval by the U.S. Government. The administrative overhead rate has been approved through September 30, 2015. Management believes that any adjustment to the 2016 and 2017 administrative overhead rates, if any, will not have a material effect on the financial position or operating results of AIHA.

### **INCOME TAXES**

AIHA has been granted exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

AIHA recognizes or derecognizes tax positions on a “more likely than not” threshold. This applies to positions taken or expected to be taken in a tax return. AIHA has reviewed the tax positions taken for each of the open tax years (2013-2015) or expected to be taken in AIHA’s 2016 tax return and has concluded it has no material uncertain tax positions. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

### **NET ASSET CLASSIFICATION**

Unrestricted net assets include unrestricted revenue and contributions received without donor- imposed restrictions. These net assets are available for the operation of AIHA and include both internally designated and undesignated resources.

### **GRANTS, CONTRACTS, AND CONTRIBUTIONS**

AIHA reports gifts of cash and other assets as temporarily restricted if they are received with donor-stipulations that limit the use of the assets. When a stipulated time restriction ends, or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions in the Statement of Activities and Change in Net Assets. Unrestricted contributions and grants are reported as revenue in the year in which unconditional promises are made.

AIHA receives funding under grants and contracts from the U.S. and foreign governments, international organizations and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Grants and contracts receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Grant funding received in advance of incurring the related expenses is recorded as refundable advances.

### **IN-KIND CONTRIBUTIONS**

In-kind contributions consisted primarily of project equipment, supplies and pharmaceuticals and labor donated to AIHA’s programs. All in-kind contributions have been recorded at their estimated market value as of the date of the gift or service (*See Note 5*).

# AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2017

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### **USE OF ESTIMATES**

The preparation of the 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

### **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 and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### **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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with AIHA's financial statements for the year ended September 30, 2016, from which the summarized information was derived.

### **NEW ACCOUNTING PRONOUNCEMENT**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of AIHA's financial statements, it is not expected to alter AIHA's reported financial position.

# AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2017

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### (2) LEASE COMMITMENT

In 2017, AIHA amended its existing lease (the “amended lease”) in Washington D.C. with a separate office space lease in order to expand its premises. The leases expire through April 30, 2022.

Each lease provides for monthly payments which escalate over the lives of the leases and provide for AIHA to pay its share of operating charges and real estate taxes. The amended lease grants AIHA the right to terminate both leases effective January 31, 2020 as a result of certain conditions that were met in fiscal year 2017. If AIHA elects to exercise its right, a payment to the landlord of approximately \$165,000 is payable to the landlord.

AIHA also leases office space in numerous foreign countries under various lease agreements. All of the foreign country leases are on one-year contracts. The leases provide for annual increases in rent.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Statement of Financial Position.

At September 30, 2017, approximate future minimum payments for the Washington D.C. office leases were as follows:

<u>Year Ending September 30,</u>	
2018	\$ 370,000
2019	378,000
2020	393,000
2021	406,000
2022	<u>171,000</u>
	<u>\$1,718,000</u>

Total occupancy expense for the Washington D.C. office for 2017 and 2016, was approximately \$304,000 and \$250,000, respectively. The deferred rent liability was \$44,395 and \$31,479 at September 30, 2017 and 2016, respectively.

### (3) PENSION PLAN

AIHA has a defined contribution retirement plan available to all US and International employees paid from US that are at least 21 years of age. Eligible employees can participate in the plan and start contributing starting the first of the month following their date of hire. Eligible employees that contribute to AIHA’s 401(K) plan will receive a matching contribution up to 4% of their base pay. Eligible employees received an annual discretionary contribution based on a percentage of their base pay at the end of the plan year ranging from 3.5% to 5% depending on their seniority and longevity with the organization. All matching and discretionary employer contributions vest 100% immediately. Contribution expense for the years ended September 30, 2017, and 2016 was approximately \$165,200 and \$106,500, respectively.

# AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2017

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### (4) CONTINGENCIES

AIHA receives grants from various agencies of the United States Government. For fiscal years through September 30, 2015, such grants were subject to audit under the provisions of OMB Circular A-133.

Beginning for fiscal year ended September 30, 2016, such grants are subject to audit under the provisions of Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2017. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

### (5) IN-KIND CONTRIBUTIONS

AIHA's United States partners contribute substantial resources to AIHA's Health Care Partnership program. These donated resources include the hours donated by healthcare professionals, medical supplies and equipment. These items are reflected in the accompanying financial statements at their estimated market value. The estimated value of such donations totaled \$2,963,234 and \$2,857,921 for 2017 and 2016, respectively.

### (6) FUNCTIONAL COSTS

The costs of providing various programs and other activities have been summarized below on a functional basis. Accordingly, certain costs have been allocated among the programs benefited.

Program services, in-kind and management and general expenses for the year ended September 30, 2017 are as follows:

	<u>Operations</u>	<u>In-Kind</u>	<u>Management And General</u>	<u>Total</u>
HRSA - Twinning Center	\$ 7,726,172	\$ 2,963,234	\$ 1,982,237	\$ 12,671,643
CDC	706,618	-	154,432	861,050
Save the Children	300,298	-	96,045	396,343
Chemonics	8,063	-	2,579	10,642
Gates Foundation	915,672	-	132,349	1,048,021
Takeda	277,169	-	28,031	305,200
Other	<u>1,300</u>	<u>-</u>	<u>2,137</u>	<u>3,437</u>
	<u>\$ 9,935,292</u>	<u>\$ 2,963,234</u>	<u>\$ 2,397,810</u>	<u>\$ 15,296,336</u>

### (7) SUBSEQUENT EVENTS

In preparing these financial statements, AIHA has evaluated events and transactions for potential recognition or disclosure through May 9, 2018, the date the financial statements were issued.

## **SUPPLEMENTAL INFORMATION**

# AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended September 30, 2017

Federal Granting Agency and Program Title	Federal CFDA Number	Pass-Through Entity	Pass-Through Entity Identifying Number	Pass-Through To Subrecipients	Total Federal Expenditures
<b>U.S. Agency for International Development</b>					
Nigeria Systems Transformed for Empowered Action and Enabling Response	98.001	Save the Children International	8401010516	\$ -	\$ 70,624
Zambia Orphans and Vulnerable Children Systems Strengthening	98.001	Save the Children International; AID-611-A-13-00004	84000825	-	306,861
Nigeria – Twinning for Health Support Initiative	98.001	Chemonics	HRH2030-2015-007	-	10,642
<b>Total U.S. Agency for International Development</b>				-	388,127
Department of Health and Human Services					
International AIDS Education and Training Centers Technical Assistance	93.266	N/A	N/A	1,792,493	9,708,409
Blood Safety Program in Asia	93.067	N/A	N/A	223,762	861,050
<b>Total Department of Health and Human Services</b>				2,016,255	10,569,459
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<u>\$ 2,016,255</u>	<u>\$ 10,957,586</u>

### (1) BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of AIHA under programs of the Federal government for the year ended September 30, 2017. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of AIHA, it is not intended to and does not present the financial position, changes in net assets or cash flows of AIHA.

### (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, Cost Principles for Non-Profit Organizations, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. AIHA has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

# AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended September 30, 2017

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### SECTION I – SUMMARY OF AUDIT RESULTS

#### Financial Statements

1. Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP on the accrual basis of accounting: **Unmodified**
2. Internal control over financial reporting:
- Material weakness(es) identified?  Yes  No
  - Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None reported
3. Noncompliance material to financial statements noted?  Yes  No

#### Federal Awards

4. Internal control over major programs:
- Material weakness(es) identified?  Yes  No
  - Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None reported
5. Type of auditor's report issued on compliance for major programs: **Unmodified**
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  No
7. Identification of major programs:

<u>Federal Program Title</u>	<u>CFDA Number</u>
Health Systems Strengthening and HIV/AIDS Prevention, Care Treatment under the President's Emergency Plan for AIDS Relief	93.266
Global AIDS	93.067
8. Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
9. Auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

# AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

## *SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (Continued)*

**For The Year Ended September 30, 2017**

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### SECTION II – FINANCIAL STATEMENT FINDINGS

#### **Finding 2017-001: Grants and contracts receivable and deferred revenue**

**Criteria:** Internal controls are required to be in place to provide reasonable assurance in meeting the objectives of financial reporting.

**Condition:** It was noted that revenue related to grants and contracts, which is generally recognized as expenses are incurred, was not recorded during the fiscal year. It should be noted that direct expenses for such grants and contracts were properly recorded throughout the year but it was not until subsequent to year-end, when AIHA secured a qualified Director of Finance, who worked with the former independent accounting firm, that revenue earned on AIHA's grants and contracts was reflected in the financial statements.

**Cause:** Employee turnover and complications with the financial reporting system's computation of the indirect cost rate.

**Effect:** Internal financial statements presented during the year to management did not reflect an accurate presentation of AIHA's financial position in accordance with applicable financial reporting objectives.

**Identification as a Repeat Finding:** This was a Finding in the 2016 audit (Finding 2016-003)

**Recommendation:** We recommend that policies and procedures be developed to mitigate the risk of unreconciled accounts during times of turnover in the department responsible for financial reporting.

**Views of Responsible Officials and Planned Corrective Actions:** Management agrees with the auditors' comment and recommendation and plans to develop a policy to ensure procedures remain in place that require accounts be timely reconciled.

**Responsible Official:** President and CEO, and Director of Finance

# AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

## *SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (Continued)*

**For The Year Ended September 30, 2017**

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### **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (2 CFR 200.516(a))**

#### **Finding 2017-002: Reporting to the U.S. Government**

**Information on the Federal Programs:** All

**Criteria or Specific Requirement:** In accordance with 2 CFR, 200.327 (Financial Reporting), the Federal awarding agency may solicit the standard, OMB-approved government wide data elements for collection of financial information (at time of publication the Federal Financial Report or such future collections as may be approved by OMB and listed on the OMB Web site). This information must be collected with the frequency required by the terms and conditions of the Federal award, but no less frequently than annually nor more frequently than quarterly except in unusual circumstances, for example where more frequent reporting is necessary for the effective monitoring of the Federal award or could significantly affect program outcomes, and preferably in coordination with performance reporting.

**Condition:** Expenditures reported on quarterly financial reports submitted to the U.S. Government did not reconcile to the underlying accounting records. However, it should be noted that in connection with its work with an independent CPA firm and the hiring of a qualified Director of Finance subsequent to year-end, future reports will be reconciled to a reliable set of underlying accounting records.

**Questioned Costs:** None identified.

**Context and Effect:** Inaccurate reports were submitted.

**Cause:** As a result of complications with AIHA's financial reporting package, the allocation of fringe & overhead was overstated.

**Identification as a Repeat Finding, if Applicable:** The 2016 audit revealed a Finding relating to inaccurate reports submitted to the U.S. Government (Finding 2016-009).

**Recommendation:** Now that the system errors have been resolved, we recommend that quarterly reports be reviewed by the Director of Finance prior to being submitted to the U.S. Government.

**Views of Responsible Officials and Planned Corrective Action:** Management agrees with this finding and recommendation. The Director of Finance will review quarterly reports submitted to the U.S. Government and ensure reports are accurate and reconciled to the underlying accounting records.

**Responsible Official:** President and CEO and Director of Finance

# AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

## *PRIOR YEAR FINDINGS*

**For The Year Ended September 30, 2017**

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### FINANCIAL STATEMENT FINDINGS

#### **Finding 2016-001: Competency and Composition of the Finance Department**

**Condition:** It was the former auditor's belief that the majority of the staff within the finance department did not have the proper skills to perform the functions associated with each respective position. There were seven (7) positions within the finance department, although, one position (general ledger accountant) was vacant. The remaining positions were the Director of Finance, the Controller, a payroll/accounts payable clerk, and three finance officers who oversaw the field office operations.

**Recommendation:** The auditor recommended evaluating the competencies of the current personnel and assessing whether individuals can perform the functions and responsibilities associated with their respective positions. The auditor further recommended either hiring an outside firm or to hire internally staff to provide many of the accounting functions required by an accounting department.

**Current Status:** The recommendation was adopted during 2017. AIHA contracted with its former accounting firm to provide many of the accounting functions for the organization. Additionally, subsequent to year end, a qualified candidate was selected and hired to fill the Director of Finance role that became vacant. No similar findings were noted in the 2017 audit

#### **Finding 2016-002: Proper and Timely Reconciliation of Bank Accounts**

**Condition:** This finding was identified as a result of the bank accounts not being reconciled during the fiscal year.

**Recommendation:** The auditor recommended that bank accounts be reconciled in a timely manner (no later than the 10<sup>th</sup> of the following month). The auditor also recommended implementing policies and procedures to ensure timely reconciliation of all bank accounts including formal review by a proper management official.

**Current Status:** The recommendation was adopted during 2017. No similar findings were noted in the 2017 audit.

#### **Finding 2016-003: Reconciliation of Asset and Liability Accounts (Other than Cash)**

**Condition:** Numerous non-cash asset and liability accounts were not reconciled.

**Recommendation:** The auditor recommended that policies and procedures exist to ensure all material asset and liability accounts are reconciled on a monthly basis, and include a provision that requires a responsible individual to formally review and approve all reconciliations.

**Current Status:** The discussion for Finding 2017-001

# AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

## PRIOR YEAR FINDINGS – (Continued)

### For The Year Ended September 30, 2017

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#### **Finding 2016-004: Timely Submission of Expense Reports and Reconciliation of Advance Account**

**Condition:** The auditors work over the issuance of advances and reporting of travel related expenses revealed the following:

- Numerous instances where advances and credit card charges were not cleared in a timely manner (non-compliance with AIHA’s stipulated policy);
- One individual (responsible for travel related charges) left the organization and the advance account related to her credit card charges was not reconciled until the end of the audit (March 2017). The total outstanding balance was in excess of \$40,000. The account was reconciled by that person’s supervisor by the end of March 2017;
- Several expense reports and credit card statements were missing a couple of receipts;
- One employee rolled over an outstanding advance from one trip to the next when policy requires that such advance be cleared upon the completion of the trip;
- A former employee still has an active credit card;
- All employees have the ability to take cash advances against the company credit card (one employee has the ability to take up to \$10,000 as an advance);
- The monthly credit card bills were not paid in full or in a timely manner, thus, AIHA incurred interest and fees of approximately \$600 per month.

**Recommendation:** Based upon the condition, the auditors strongly recommended the following:

- All employees be reminded of AIHA’s current policy which requires the submission of expense reports within 10 days after the completion of the travel (consider withholding future advances from all employees who are not complying with stated policies);
- Remind all employees of the importance of receiving and submitting receipts for all charges in accordance with AIHA policy;
- Implement a policy which requires that all credit cards that are issued to employees are immediately canceled upon termination;
- Ensure that all credit card charges are properly reconciled within 15 days after the close of the month;
- Prohibit the ability of taking cash advances against the company credit card for all employees (advances should be issued by the office where they work);
- Consider implementing a policy which would revoke a company credit card for non-compliance with AIHA’s stated policies.

**Current Status:** The recommendation was adopted during the year and AIHA cancelled all credit cards except those held by the Director of Operations & Administration, and the President & CEO. A formalized policy was adopted which includes better defined policies over the types of purchases which can be made, and deadlines on submitting receipts for business expenses incurred so timely reconciliation to the financial statements can be performed. We noted no findings in the 2017 audit

#### **Finding 2016-005: Review and Reconciliation of Field Office Activity**

**Condition:** Field office accounts were not reviewed and properly reconciled with the headquarters accounts.

**Recommendation:** The auditors recommended that after monthly field activity is recorded in the headquarters’ accounting system, that accounts related to the field office activity within the headquarters’ accounting system match the account balances from the field offices accounting systems.

**Current Status:** The recommendation was adopted during 2017. No similar findings were noted in the 2017 audit.

# AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

## *PRIOR YEAR FINDINGS – (Continued)*

**For The Year Ended September 30, 2017**

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### **Finding 2016-006: Journal Entries**

**Information on the Federal Programs:** All

**Condition:** The auditors work revealed that entries that were made into the accounting system were not reviewed and/or approved by an appropriate supervisor.

**Recommendation:** It was suggested that management of AIHA implement policies and procedures that would ensure all proposed journal entries be reviewed and approved by a responsible employee prior to being posted into the accounting system. In addition, it was recommended that all proposed journal entries should be clearly documented as to the reason for the entry and that appropriate supporting documentation should be maintained with the proposed entry.

**Current Status:** The recommendation was adopted during 2017. No similar findings were noted in the 2017 audit

## **FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

### **Finding 2016-007: Non-Compliance with Executive Order on Terrorist Financing**

**Information on the Federal Programs:** All

**Condition:** The audit procedures revealed several instances (5) where vendors/suppliers were paid without being properly vetted against the U.S. Government's list of terrorists or terrorist organizations prior to being paid.

**Recommendation:** In order to properly comply with the requirements of Executive Order 13224 as mandated by all U.S. Government awards, it is essential that AIHA implement procedures to ensure adherence to their stated policies where all vendors are vetted against the U.S. Government's System for Award Management (SAM) database prior to entering into any contracts or making payments to such vendors/suppliers.

**Current Status:** AIHA adopted and implemented a policy which requires screening against the System for Award Management of all AIHA employees, consultants, subrecipients, and vendors. As such, corrective action was taken. No similar findings were noted in the 2017 audit

### **Finding 2016-008: U. S. Government Letter of Credit and Cash Management**

**Information on the Federal Programs:** All.

**Condition:** The amount due from or to the U.S. Government arising from drawdowns against the U.S. Government's letter of credit issued to AIHA was not reconciled.

**Recommendation:** To monitor draws against the letter of credit closely to ensure that draws are based as closely as possible to the next 30 days' obligations.

**Current Status:** Procedures were implemented to monitor draws on a monthly basis and that all such drawdowns were made subsequent to incurring the expense. As such, no similar findings were noted in the 2017 audit.

# AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

## *PRIOR YEAR FINDINGS – (Continued)*

**For The Year Ended September 30, 2017**

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### **Finding 2016-009: Reporting to the U.S. Government**

**Information on the Federal Programs:** All.

**Current Status:** The discussion for Finding 2017-002 also applies to this Finding.

### **Finding 2016-010: Sub-Recipient Monitoring**

**Information on the Federal Programs:** 93.266, 93.067

**Condition:** The audit work disclosed the fact that AIHA had not received many of the sub-recipients required U.S. Government reports.

**Recommendation:** It was recommended management of AIHA adopt, implement and adhere to formal policies and procedures with respect to the assessment of risk, evaluation and monitoring of its sub-recipients.

**Current Status:** The recommendation was adopted during 2017. No similar findings were noted in the 2017 audit.

# SECTION II

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**To the Board of Directors  
American International Health Alliance, Inc.  
Washington, D.C.**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the American International Health Alliance, Inc. ("AIHA") (a nonprofit organization) which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated May 9, 2018.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered AIHA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances, for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of AIHA's internal control. Accordingly, we do not express an opinion on the effectiveness of AIHA's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. We consider the deficiency described as Finding 2017-001 in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency.

**To the Board of Directors  
American International Health Alliance, Inc.**

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether AIHA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2017-002.

***AIHA's Response to Findings***

AIHA's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. AIHA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Tait, Weller & Baker LLP*

**Philadelphia, Pennsylvania  
May 9, 2018**

# **SECTION III**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**To the Board of Directors  
American International Health Alliance, Inc.  
Washington, D.C.**

***Report on Compliance for Each Major Federal Program***

We have audited the American International Health Alliance, Inc.'s ("AIHA") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of AIHA's major federal programs for the year ended September 30, 2017. AIHA's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of AIHA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about AIHA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of AIHA's compliance.

***Opinion on Each Major Federal Program***

In our opinion, AIHA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2017-002. Our opinion on each major federal program is not modified with respect to these matters.

**To the Board of Directors  
American International Health Alliance, Inc.**

AIHA's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. AIHA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

***Report on Internal Control Over Compliance***

Management of AIHA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered AIHA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of AIHA's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Finding 2017-002, that we consider to be a significant deficiency.

AIHA's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. AIHA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Tait, Weller & Baker LLP*

**Philadelphia, Pennsylvania  
May 9, 2018**

# SECTION IV

**AMERICAN INTERNATIONAL  
HEALTH ALLIANCE, INC.**

**REPORT ON INDIRECT RATE AND  
FRINGE BENEFIT RATE CALCULATIONS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**



# AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
American International Health Alliance, Inc.  
Washington, D.C.**

### ***Report on Statements of Indirect Cost Rate and Fringe Benefit Rate Calculations***

We have audited the accompanying statements of indirect rate and fringe benefit rate calculations of the American International Health Alliance, Inc. ("AIHA") as of September 30, 2017 and the related notes.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of the statements of indirect rate and fringe benefit rate calculations 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 the statements of indirect rate and fringe benefit rate calculations that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the statements of indirect rate and fringe benefit rate calculations based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements of indirect rate and fringe benefit rate calculations are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statements of indirect rate and fringe benefit rate calculations. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement of indirect rate calculation, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to AIHA's preparation and fair presentation of the statements of indirect rate and fringe benefit rate calculations 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 AIHA'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 statements of indirect rate and fringe benefit rate calculations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the statements of indirect rate and fringe benefit rate calculations referred to above present fairly, in all material respects, the indirect rate and the fringe benefit rate of AIHA as of September 30, 2017, in accordance with accounting principles generally accepted in the United States of America.

*Tait, Weller & Baker LLP*

**Philadelphia, Pennsylvania  
May 9, 2018**

# AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

## STATEMENT OF INDIRECT RATE CALCULATION

For The Year Ended September 30, 2017

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### INDIRECT EXPENSES PER AUDITED FINANCIAL STATEMENTS

U.S. salaries and wages	\$ 1,082,435
Fringe benefits at 28.00%	303,059
Leave	122,464
Printing and production	5,768
Professional fees, consultants and temporary staff	352,697
Office rent and utilities	143,863
Accounting/audit	152,864
Insurance	57,855
Telephone	13,799
Travel and travel-related expenses	22,576
Postage and delivery	1,566
Repairs and maintenance	3,147
Furniture and equipment	37,142
Subscriptions and publications	13,827
Business meetings expense	7,746
Bank fees	22,089
Hall/room rental	7,891
Electronic mail/internet	17,413
Office supplies	9,824
Training and conferences	13,038
Other	<u>6,747</u>
Total Indirect Expenses	2,397,810
Less: Unallowable costs	<u>1,721</u>

**TOTAL ALLOWABLE INDIRECT EXPENSES** \$ 2,396,089

<b>DIRECT EXPENSES PER AUDITED FINANCIAL STATEMENTS</b>	\$12,898,526
Adjustments and reclassifications:	
Less: In-kind expenses ( <i>Note 2</i> )	2,963,234
Less: Capital expenses	109,830
Less: Portion of each sub-award in excess of \$25,000 ( <i>Note 3</i> )	<u>2,333,733</u>

**TOTAL ALLOWABLE DIRECT EXPENSES** \$ 7,491,729

**INDIRECT RATE CALCULATION** 31.98%

# AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.

## STATEMENT OF FRINGE BENEFIT RATE CALCULATION

For The Year Ended September 30, 2017

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### FRINGE BENEFITS

Payroll taxes	\$ 175,052
Unemployment taxes	5,285
Health and benefit insurance	226,258
Pension	165,167
Leave	364,544
Parking and transportation	41,911
In-kind fringe benefits	<u>235,622</u>

Fringe benefits per audit report 1,213,839

#### Adjustment:

Less: In-kind fringe benefits ( <i>Note 2</i> )	235,622
Less: Leave included in overhead rate	122,463
Less: Leave charged directly to grants	<u>242,081</u>

**TOTAL ADJUSTED FRINGE BENEFITS** \$ 613,673

### SALARIES AND WAGES

Total U.S. salaries and wages per audit report	\$3,564,912
Adjustment:	
Less: In-kind salaries ( <i>Note 2</i> )	<u>1,373,062</u>

**TOTAL ADJUSTED SALARIES AND WAGES** \$2,191,850

**INDIRECT RATE CALCULATION** 28.00%

# **AMERICAN INTERNATIONAL HEALTH ALLIANCE, INC.**

## ***NOTES TO STATEMENTS OF INDIRECT RATE AND FRINGE BENEFIT RATE CALCULATIONS***

**September 30, 2017**

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### **(1) BASIS OF PRESENTATION**

The accompanying schedules of indirect rate calculations have been prepared in accordance with accounting principles generally accepted in the United States of America and the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

### **(2) IN-KIND EXPENSES**

In-kind expenses, which reflect salaries, benefits and other programmatic expenses donated by AIHA's partner organizations have been excluded from the preparation of the calculation of the indirect rate and fringe benefit rate.

### **(3) BASE OF APPLICATION – INDIRECT RATE**

The accompanying statement of indirect rate calculation has been prepared in accordance with the base of application stipulated in the provisional non-profit rate agreement issued on February 23, 2017, by the Department of Health and Human Services. Accordingly, capital expenditures in excess of \$5,000 and that portion of each sub-award in excess of \$25,000 have been excluded from the accompanying statement of indirect rate calculation.

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

### **Finding 2017-001: Grants and contracts receivable and deferred revenue**

**Criteria:** Internal controls are required to be in place to provide reasonable assurance in meeting the objectives of financial reporting.

**Condition:** It was noted that revenue related to grants and contracts, which is generally recognized as expenses are incurred, was not recorded during the fiscal year. It should be noted that direct expenses for such grants and contracts were properly recorded throughout the year but it was not until subsequent to year-end, when AIHA secured a qualified Director of Finance, who worked with the former independent accounting firm, that revenue earned on AIHA's grants and contracts was reflected in the financial statements.

**Cause:** Employee turnover and complications with the financial reporting system's computation of the indirect cost rate.

**Effect:** Internal financial statements presented during the year to management did not reflect an accurate presentation of AIHA's financial position in accordance with applicable financial reporting objectives.

**Identification as a Repeat Finding:** This was a Finding in the 2016 audit (Finding 2016-003)

**Recommendation:** We recommend that policies and procedures be developed to mitigate the risk of unreconciled accounts during times of turnover in the department responsible for financial reporting.

**Views of Responsible Officials and Planned Corrective Actions:** Management agrees with the auditors' comment and recommendation. The Director of Finance has established a monthly close process that includes recognition of revenue and reconciliation of federal and non-federal grants and contracts receivables and has started completing as part of the monthly close process.

**Responsible Official:** President and CEO, and Director of Finance

### **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (2 CFR 200.516(a))**

#### **Finding 2017-002: Reporting to the U.S. Government**

##### **Information on the Federal Programs: All**

**Criteria or Specific Requirement:** In accordance with 2 CFR, 200.327 (Financial Reporting), the Federal awarding agency may solicit the standard, OMB-approved government wide data elements for collection of financial information (at time of publication the Federal Financial Report or such future collections as may be approved by OMB and listed on the OMB Web site). This information must be collected with the frequency required by the terms and conditions of the Federal award, but no less frequently than annually nor more frequently than quarterly except in unusual circumstances, for example where more frequent reporting is necessary for the effective monitoring of the Federal award or could significantly affect program outcomes, and preferably in coordination with performance reporting.

**Condition:** Expenditures reported on quarterly financial reports submitted to the U.S. Government did not reconcile to the underlying accounting records. However, it should be noted that in connection with its work with an independent CPA firm and the hiring of a qualified Director of Finance subsequent to year-end, future reports will be reconciled to a reliable set of underlying accounting records.

**Questioned Costs:** None identified.

**Context and Effect:** Inaccurate reports were submitted.

**Cause:** As a result of complications with AIHA's financial reporting package, the allocation of fringe & overhead was overstated.

**Identification as a Repeat Finding, if Applicable:** The 2016 audit revealed a Finding relating to inaccurate reports submitted to the U.S. Government (Finding 2016-009).

**Recommendation:** Now that the system errors have been resolved, we recommend that quarterly reports be reviewed by the Director of Finance prior to being submitted to the U.S. Government.

**Views of Responsible Officials and Planned Corrective Action:** Management agrees with this finding and recommendation. The Director of Finance has developed a process for review of the quarterly reports submitted to the U.S. Government to ensure reports are accurate and reconciled to the underlying accounting records.

**Responsible Official:** President and CEO and Director of Finance