

**AFRICAN MEDICAL & RESEARCH FOUNDATION, INC.
(UNITED STATES)**

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

SEPTEMBER 30, 2012

**AFRICAN MEDICAL & RESEARCH FOUNDATION, INC.
(UNITED STATES)**

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
African Medical & Research Foundation, Inc.
(United States)
New York, New York

We have audited the accompanying statement of financial position of African Medical & Research Foundation, Inc. (United States) (“*AMREF*”) as of September 30, 2012, and the related statements of activities and changes in net assets, of functional expenses, and of cash flows for the year then ended. These financial statements are the responsibility of the AMREF’s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the AMREF’s 2011 financial statements and, in our report dated January 27, 2012, we expressed an unqualified opinion.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of African Medical & Research Foundation, Inc. (United States) as of September 30, 2012, the changes in its net assets, its functional expenses and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Tait, Weller & Baker LLP

Philadelphia, Pennsylvania
January 7, 2013

AFRICAN MEDICAL & RESEARCH FOUNDATION, INC.
(UNITED STATES)

STATEMENTS OF FINANCIAL POSITION

September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 154,212	\$ 236,108
Investments (<i>Note 2</i>)	2,359,984	2,299,506
Grants receivable – U.S. Government	1,365,305	1,845,176
Prepaid expenses and other assets	9,224	7,118
Furniture and equipment, net of accumulated depreciation of \$117,315 and \$111,950	12,902	4,656
Security deposits	<u>13,414</u>	<u>13,414</u>
Total assets	<u>\$ 3,915,041</u>	<u>\$ 4,405,978</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 89,208	\$ 106,084
Due to AMREF/Kenya	<u>1,448,029</u>	<u>1,974,264</u>
Total liabilities	<u>1,537,237</u>	<u>2,080,348</u>
Net Assets		
Unrestricted	<u>2,377,804</u>	<u>2,325,630</u>
Total liabilities and net assets	<u>\$ 3,915,041</u>	<u>\$ 4,405,978</u>

AFRICAN MEDICAL & RESEARCH FOUNDATION, INC.
(UNITED STATES)

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenues		
Federal awards	\$ 6,145,600	\$ 4,872,110
Foundations, corporate grants and individual donations	2,449,121	2,479,576
Special events, net of expenses of \$0 and \$92,445 in 2012 and 2011, respectively	-	89,535
Investment income	<u>79,304</u>	<u>(39,339)</u>
Total revenues and support	<u>8,674,025</u>	<u>7,401,882</u>
Expenses		
Program Services		
Health training, education and primary care	2,297,138	2,516,921
Clinical services	3,935,765	2,623,208
Evaluation and operations research	<u>1,260,687</u>	<u>1,406,019</u>
Total program services	<u>7,493,590</u>	<u>6,546,148</u>
Supporting Services		
Management and general	512,047	418,078
Fund raising	<u>616,214</u>	<u>411,467</u>
Total supporting services	<u>1,128,261</u>	<u>829,545</u>
Total expenses	<u>8,621,851</u>	<u>7,375,693</u>
Increase net assets	52,174	26,189
Net Assets		
Beginning	<u>2,325,630</u>	<u>2,299,441</u>
End	<u>\$ 2,377,804</u>	<u>\$ 2,325,630</u>

AFRICAN MEDICAL & RESEARCH FOUNDATION, INC.
(UNITED STATES)

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended September 30, 2012 with Summarized Information for 2011

	<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>2012</u>	<u>2011</u>
Grants:								
Awards to AMREF-Kenya	\$ 2,067,654	\$ 3,857,166	\$ 1,204,992	\$ 7,129,812	\$ -	\$ -	\$ 7,129,812	\$ 6,182,007
Other Expenses:								
Salaries, payroll taxes and related benefits	148,903	35,912	38,993	223,808	337,941	374,450	936,199	832,604
Professional fees and services	-	-	-	-	19,750	-	19,750	21,160
Consultants	363	363	363	1,089	4,898	71,937	77,924	9,319
Travel	39,175	11,870	6,524	57,569	34,986	11,123	103,678	80,749
Memberships and registration fees	-	-	-	-	22,569	-	22,569	14,814
Occupancy	13,293	24,797	7,747	45,837	30,252	15,584	91,673	89,160
Insurance	820	1,530	478	2,828	1,867	962	5,657	8,735
Telecommunications	864	-	-	864	8,104	595	9,563	9,311
Printing	-	-	-	-	-	391	391	15,514
Postage and shipping	343	160	177	680	3,731	776	5,187	3,789
Direct mail	-	-	-	-	-	114,036	114,036	56,098
Equipment maintenance	341	1,065	-	1,406	6,848	2,053	10,307	13,550
Public relations	-	-	-	-	7,051	22,500	29,551	-
Miscellaneous	<u>25,382</u>	<u>2,902</u>	<u>1,413</u>	<u>29,697</u>	<u>28,684</u>	<u>1,807</u>	<u>60,188</u>	<u>32,554</u>
Total expenses before depreciation and amortization	2,297,138	3,935,765	1,260,687	7,493,590	506,681	616,214	8,616,485	7,369,364
Depreciation and Amortization	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,366</u>	<u>-</u>	<u>5,366</u>	<u>6,329</u>
Total Expenses	<u>\$ 2,297,138</u>	<u>\$ 3,935,765</u>	<u>\$ 1,260,687</u>	<u>\$ 7,493,590</u>	<u>\$ 512,047</u>	<u>\$ 616,214</u>	<u>\$ 8,621,851</u>	<u>\$ 7,375,693</u>

See accompanying notes to financial statements.

AFRICAN MEDICAL & RESEARCH FOUNDATION, INC.
(UNITED STATES)

STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Increase in net assets</i>	\$ 52,174	\$ 26,189
<i>Adjustments to reconcile increase in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	5,366	6,330
Realized/unrealized (gains) losses on investments	(55,185)	51,369
(Increase) decrease in		
Grants receivable – U.S. Government	479,871	(823,215)
Prepaid expenses and other assets	(2,106)	15,503
Security deposits	-	(2,208)
Accounts receivable	-	18,855
(Decrease) increase in		
Accounts payable	(16,876)	48,398
Due to AMREF/Kenya	<u>(526,235)</u>	<u>723,710</u>
Net cash provided by (used for) operating activities	<u>(62,991)</u>	<u>64,931</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,279,933)	(2,179,468)
Proceeds from sale of investments	1,274,640	2,182,510
Purchase of equipment	<u>(13,612)</u>	<u>(2,279)</u>
Net cash provided by (used for) investing activities	<u>(18,905)</u>	<u>763</u>
Net increase (decrease) in cash	(81,896)	65,694
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>236,108</u>	<u>170,414</u>
End of year	<u>\$ 154,212</u>	<u>\$ 236,108</u>

**AFRICAN MEDICAL & RESEARCH FOUNDATION, INC.
(UNITED STATES)**

NOTES TO FINANCIAL STATEMENTS

September 30, 2012 and 2011

(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

African Medical & Research Foundation, Inc. (United States) (“*AMREF*”) is a non-profit organization chartered by the State of New York in 1957 and is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. AMREF supports a variety of health programs in Eastern and Southern Africa. Programs include: health training, education, primary care, clinical services, evaluation and operations research. AMREF provides financial support to its affiliate, African Medical & Research Foundation, Inc. (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.

SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, January 7, 2013, have been evaluated in the preparation of the financial statements.

CONCENTRATION OF CREDIT RISK

AMREF occasionally maintains deposits in financial institutions in excess of federally insured limits. Accounting Standards Codification (“*ASC*”) 825, “*Financial Instruments*”, identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made.

CASH AND CASH EQUIVALENTS

AMREF considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

INVESTMENTS

Investments in debt and equity securities with readily determinable fair market values are reported at fair market values with realized and unrealized gains and losses included in the statement of activities.

FIXED ASSETS

Fixed assets are recorded at cost. Major additions and improvements are capitalized, while maintenance and repairs are expensed when incurred. AMREF provides depreciation on furniture, fixtures and equipment by the straight-line method at rates calculated using the estimated useful lives of the respective depreciable assets, generally three to five years.

AFRICAN MEDICAL & RESEARCH FOUNDATION, INC.

(UNITED STATES)

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2012 and 2011

U.S. GOVERNMENT GRANTS

AMREF receives grant awards from the U.S. Government under various contracts. AMREF records revenues under these contracts as expenses are incurred. Funds received in advance of expenses incurred are reported as deferred revenue.

CONTRIBUTIONS

Contributions, including promises to give, are recorded as support when received. AMREF reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Restricted contributions have been reported as unrestricted contributions since the restrictions have been fulfilled in the same period in which the contribution is received.

NET ASSETS

AMREF's net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of AMREF and changes therein are classified and reported as follows:

- **Unrestricted:** Unrestricted net assets include the net assets that are associated with the principal mission of the AMREF.
- **Temporarily Restricted:** Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met.

INCOME TAX STATUS

AMREF is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "*Code*"), and has been classified as an organization, which is not a private foundation under Section 509(a) of the Code.

Management has reviewed the tax positions for each of the open tax years (2009 – 2011) or expected to be taken in the AMREF's 2011 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services that derived a benefit. Such allocations are determined by management in accordance with grant provisions or other reasonable basis.

PRIOR YEAR INFORMATION

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the AMREF's audited financial statements for the year ended September 30, 2011, from which the summarized information was derived.

AFRICAN MEDICAL & RESEARCH FOUNDATION, INC.
(UNITED STATES)

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2012 and 2011

(2) INVESTMENTS

The following is a summary of AMREF’s investments at September 30, 2012 and 2011:

	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Money Market Funds	\$ 439,738	\$ 439,738	\$ 624,715	\$ 624,715
Certificates of Deposits	1,300,000	1,300,013	1,115,000	1,116,028
Mutual Funds				
Equity	310,039	297,237	310,039	249,792
Bond	<u>318,263</u>	<u>322,996</u>	<u>310,418</u>	<u>308,971</u>
Total	<u>\$2,368,040</u>	<u>\$2,359,984</u>	<u>\$2,360,172</u>	<u>\$2,299,506</u>

At September 30, 2012 and 2011, unrealized losses consisted of \$8,056 and \$60,666, respectively.

The following summarizes the investment return for the years ended September 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Interest income	\$ 24,119	\$ 6,874
Realized gains	2,575	7,662
Unrealized gains (losses)	<u>52,610</u>	<u>(59,031)</u>
Total investment income (deficit) – investments	79,304	(44,495)
Other interest income – cash and cash equivalents	<u>-</u>	<u>5,156</u>
	<u>\$ 79,304</u>	<u>\$ (39,339)</u>

AMREF utilized various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles establish a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the AMREF has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an active market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the AMREF’s own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

AFRICAN MEDICAL & RESEARCH FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2012 and 2011

(4) COMMITMENTS AND CONTINGENCIES

LEASE COMMITMENTS

On April 27, 2007, the AMREF entered into a lease agreement for office space which was to expire June 30, 2011. This lease was extended during the year ended September 30, 2010, until June 30, 2015. Total rent expense for 2012 and 2011 was approximately \$80,300 and \$71,000, respectively.

Future minimum rental commitments under this lease are as follows:

2013	\$ 83,500
2014	86,800
2015	<u>67,100</u>
	<u>\$ 237,400</u>