

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

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

SEPTEMBER 30, 2013

**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 financial statements of African Medical & Research Foundation, Inc. (United States) (“AMREF”) which comprise the statement of financial position as of September 30, 2013, and the related statements of activities and changes in net assets, and of cash flows for the year then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of African Medical & Research Foundation, Inc. (United States) as of September 30, 2013 and 2012, and the changes in its net assets, and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Tait, Weller & Baker LLP

Philadelphia, Pennsylvania
February 6, 2014

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

STATEMENTS OF FINANCIAL POSITION

September 30, 2013 And 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 129,970	\$ 154,212
Investments (<i>Note 2</i>)	2,379,355	2,359,984
Grants receivable – U.S. Government	1,112,180	1,365,305
Prepaid expenses and other assets	210,889	9,224
Furniture and equipment, net of accumulated depreciation of \$123,036 and \$117,315	9,727	12,902
Security deposits	<u>13,414</u>	<u>13,414</u>
Total assets	<u>\$ 3,855,535</u>	<u>\$ 3,915,041</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 30,959	\$ 89,208
Due to AMREF/Kenya	<u>1,366,211</u>	<u>1,448,029</u>
Total liabilities	<u>1,397,170</u>	<u>1,537,237</u>
Net Assets		
Unrestricted	<u>2,458,365</u>	<u>2,377,804</u>
Total liabilities and net assets	<u>\$ 3,855,535</u>	<u>\$ 3,915,041</u>

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

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended September 30, 2013 And 2012

	<u>2013</u>	<u>2012</u>
Support and Revenues		
Federal awards	\$ 7,413,167	\$ 6,145,600
Foundations, corporate grants and individual donations	2,801,161	2,449,121
Special event, net of expenses of \$7,421	19,547	-
Contributed Services	73,250	-
Investment income	<u>55,173</u>	<u>79,304</u>
Total support and revenues	<u>10,362,298</u>	<u>8,674,025</u>
Expenses		
Program Services		
Health training, education and primary care	1,827,672	2,297,138
Clinical services	2,592,333	3,935,765
Evaluation and operations research	<u>4,819,951</u>	<u>1,260,687</u>
Total program services	<u>9,239,956</u>	<u>7,493,590</u>
Supporting Services		
Management and general	450,162	512,047
Fund raising	<u>591,619</u>	<u>616,214</u>
Total supporting services	<u>1,041,781</u>	<u>1,128,261</u>
Total expenses	<u>10,281,737</u>	<u>8,621,851</u>
Increase net assets	80,561	52,174
Net Assets		
Beginning	<u>2,377,804</u>	<u>2,325,630</u>
End	<u>\$ 2,458,365</u>	<u>\$ 2,377,804</u>

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

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended September 30, 2013 With Summarized Information For 2012

	<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>2013</u>	<u>2012</u>
Grants:								
Awards to AMREF-Kenya	\$ 1,554,259	\$ 2,555,389	\$ 4,722,618	\$ 8,832,266	\$ -	\$ -	\$ 8,832,266	\$ 7,129,812
Other Expenses:								
Salaries, payroll taxes and related benefits	163,952	13,500	62,670	240,122	291,364	368,670	900,156	936,199
Professional fees and services	-	-	-	-	20,250	-	20,250	19,750
Consultants	18,203	203	203	18,609	19,708	75,440	113,757	77,924
Travel	20,734	8,093	6,468	35,295	21,886	14,936	72,117	103,678
Memberships and registration fees	-	-	-	-	19,465	-	19,465	22,569
Occupancy	8,552	14,061	25,985	48,598	32,075	16,523	97,196	91,673
Insurance	537	884	1,633	3,054	2,016	1,038	6,108	5,657
Telecommunications	-	-	-	-	8,030	-	8,030	9,563
Postage and shipping	-	-	-	-	4,525	-	4,525	5,187
Direct mail	-	-	-	-	-	88,753	88,753	114,036
Equipment maintenance	-	-	-	-	5,920	-	5,920	10,307
Public relations	61,312	-	-	61,312	-	18,313	79,625	29,551
Miscellaneous	123	203	374	700	19,202	7,946	27,848	60,579
Total expenses before depreciation and amortization	1,827,672	2,592,333	4,819,951	9,239,956	444,441	591,619	10,276,016	8,616,485
Depreciation and Amortization	-	-	-	-	5,721	-	5,721	5,366
Total Expenses	\$ 1,827,672	\$ 2,592,333	\$ 4,819,951	\$ 9,239,956	\$ 450,162	\$ 591,619	\$ 10,281,737	\$ 8,621,851

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS

For The Years Ended September 30, 2013 And 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Increase in net assets</i>	\$ 80,561	\$ 52,174
<i>Adjustments to reconcile increase in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	5,721	5,366
Realized/unrealized gains on investments	(30,306)	(55,185)
(Increase) decrease in		
Grants receivable – U.S. Government	253,125	479,871
Prepaid expenses and other assets	(201,665)	(2,106)
(Decrease) increase in		
Accounts payable	(58,249)	(16,876)
Due to AMREF/Kenya	<u>(81,818)</u>	<u>(526,235)</u>
Net cash used for operating activities	<u>(32,631)</u>	<u>(62,991)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(200,453)	(37,910)
Proceeds from sale of investments	211,388	32,617
Purchase of equipment	<u>(2,546)</u>	<u>(13,612)</u>
Net cash provided by (used for) investing activities	<u>8,389</u>	<u>(18,905)</u>
Net decrease in cash	(24,242)	(81,896)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>154,212</u>	<u>236,108</u>
End of year	<u>\$ 129,970</u>	<u>\$ 154,212</u>

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2013 And 2012

(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.

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.

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.

AFRICAN MEDICAL & RESEARCH FOUNDATION, INC.

(UNITED STATES)

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2013 And 2012

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.

CONTRIBUTED SERVICES

Contributions of advertising space were donated to AMREF at an estimated fair market value of \$73,250 in 2013. These contributions and the related expenses are recorded at this fair market value on the statement of activities and changes in net assets.

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 (2010 – 2012) or expected to be taken in the AMREF's 2013 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, 2012, from which the summarized information was derived.

RECLASSIFICATIONS

Certain reclassifications were made to the 2012 financial statements to conform to the 2013 presentation.

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

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2013 And 2012

(2) INVESTMENTS

The following is a summary of AMREF’s investments at September 30, 2013 and 2012:

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Money Market Funds	\$ 739,212	\$ 739,212	\$ 439,738	\$ 439,738
Certificates of Deposits	980,000	979,765	1,300,000	1,300,013
Mutual Funds				
Equity	311,714	344,815	310,039	297,237
Bond	<u>329,228</u>	<u>315,563</u>	<u>318,263</u>	<u>322,996</u>
Total	<u>\$2,360,154</u>	<u>\$2,379,355</u>	<u>\$2,368,040</u>	<u>\$2,359,984</u>

At September 30, 2013 and 2012, unrealized gains (losses) consisted of \$19,201 and (\$8,056), respectively.

The following summarizes the investment return for the years ended September 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Interest income	\$ 24,867	\$ 24,119
Realized gains	3,049	2,575
Unrealized gains	<u>27,257</u>	<u>52,610</u>
Total investment income – investments	<u>\$55,173</u>	<u>\$79,304</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.
(UNITED STATES)

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2013 And 2012

The summary of inputs used to value the AMREF's investments as of September 30, 2013 and 2012 are as follows:

	2013			
	<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	\$ 739,212	\$ 739,212	\$ -	\$ -
Certificate of Deposit	979,765	-	979,765	-
Mutual Funds				
Equity	344,815	344,815	-	-
Bond	<u>315,563</u>	<u>315,563</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,379,355</u>	<u>\$ 1,399,590</u>	<u>\$ 979,765</u>	<u>\$ -</u>
	2012			
	<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	\$ 439,738	\$ 439,738	\$ -	\$ -
Certificate of Deposit	1,300,013	-	1,300,013	-
Mutual Funds				
Equity	297,237	297,237	-	-
Bond	<u>322,996</u>	<u>322,996</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,359,984</u>	<u>\$ 1,059,971</u>	<u>\$ 1,300,013</u>	<u>\$ -</u>

There were no transfers between Level 1 and 2 during the year ended September 30, 2013 and 2012.

(3) 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, 2013 and 2012, AMREF made contributions of \$39,884 and \$42,985, respectively.

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

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2013 And 2012

(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 2013 and 2012 was approximately \$83,500 and \$80,300, respectively.

Future minimum rental commitments under this lease are as follows:

2014	\$ 86,800
2015	<u>67,100</u>
	<u>\$ 153,900</u>

(5) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, February 6, 2014, have been evaluated in the preparation of the financial statements.