

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

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

**SEPTEMBER 30, 2014**

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

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**Board of Directors**  
**AMREF Health Africa**  
**(United States)**  
**New York, New York**

We have audited the accompanying financial statements of AMREF Health Africa (United States) (“*AMREF*”), formerly known as African Medical & Research Foundation, Inc. (United States), which comprise the statement of financial position as of September 30, 2014, 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 AMREF Health Africa (United States) as of September 30, 2014 and 2013, 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**  
**May 6, 2015**

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

**STATEMENTS OF FINANCIAL POSITION**

**September 30, 2014 And 2013**

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|  | <u>2014</u>                | <u>2013</u>                |
|--|----------------------------|----------------------------|
| <b>ASSETS</b>  |                            |                            |
| Cash and cash equivalents  | \$ 155,618                 | \$ 129,970                 |
| Investments ( <i>Note 2</i> )  | 2,227,687                  | 2,379,355                  |
| Grants receivable  |                            |                            |
| U.S. Government  | 774,097                    | 1,112,180                  |
| Other  | 217,350                    | 201,083                    |
| Prepaid expenses and other assets  | 17,428                     | 9,806                      |
| Furniture and equipment, net of accumulated<br>depreciation of \$130,279 and \$123,036 | 10,088                     | 9,727                      |
| Security deposits  | <u>13,414</u>              | <u>13,414</u>              |
| <b>Total assets</b>  | <b><u>\$ 3,415,682</u></b> | <b><u>\$ 3,855,535</u></b> |
| <b>LIABILITIES AND NET ASSETS</b>  |                            |                            |
| <b>Liabilities</b>   |                            |                            |
| Accounts payable and accrued expenses  | \$ 73,181                  | \$ 30,959                  |
| Due to AMREF/Kenya   | <u>1,245,068</u>           | <u>1,366,211</u>           |
| <b>Total liabilities</b>   | <b><u>1,318,249</u></b>    | <b><u>1,397,170</u></b>    |
| <b>Net Assets</b>  |                            |                            |
| Unrestricted   | <u>2,097,433</u>           | <u>2,458,365</u>           |
| <b>Total liabilities and net assets</b>  | <b><u>\$ 3,415,682</u></b> | <b><u>\$ 3,855,535</u></b> |

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

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

**Years Ended September 30, 2014 And 2013**

|  | <u>2014</u>         | <u>2013</u>         |
|--|---------------------|---------------------|
| <b>Support and Revenues</b>                            |                     |                     |
| Federal awards   | \$ 2,984,774        | \$ 7,413,167        |
| Foundations, corporate grants and individual donations | 1,878,005           | 2,801,161           |
| Special event, net of expenses of \$7,421              | -                   | 19,547              |
| Contributed Services                                   | -                   | 73,250              |
| Other income   | 2,199               | -                   |
| Investment income                                      | <u>61,205</u>       | <u>55,173</u>       |
| <b>Total support and revenues</b>                      | <u>4,926,183</u>    | <u>10,362,298</u>   |
| <b>Expenses</b>  |                     |                     |
| <b>Program Services</b>                                |                     |                     |
| Health training, education and primary care            | 1,265,993           | 1,827,672           |
| Clinical services                                      | 1,445,119           | 2,592,333           |
| Evaluation and operations research                     | <u>1,193,789</u>    | <u>4,819,951</u>    |
| <b>Total program services</b>                          | <u>3,904,901</u>    | <u>9,239,956</u>    |
| <b>Supporting Services</b>                             |                     |                     |
| Management and general                                 | 548,047             | 450,162             |
| Fund raising   | <u>834,167</u>      | <u>591,619</u>      |
| <b>Total supporting services</b>                       | <u>1,382,214</u>    | <u>1,041,781</u>    |
| <b>Total expenses</b>                                  | <u>5,287,115</u>    | <u>10,281,737</u>   |
| <b>Increase (decrease) net assets</b>                  | (360,932)           | 80,561              |
| <b>Net Assets</b>                                      |                     |                     |
| Beginning  | <u>2,458,365</u>    | <u>2,377,804</u>    |
| End  | <u>\$ 2,097,433</u> | <u>\$ 2,458,365</u> |

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

**STATEMENTS OF FUNCTIONAL EXPENSES**

**Year Ended September 30, 2014 With Summarized Information For 2013**

|  | <u>Program Services</u>                                |                              |  |                     | <u>Supporting Services</u>            |                         | <u>Totals</u>       |                      |
|--|--|------------------------------|--|---------------------|---------------------------------------|-------------------------|---------------------|----------------------|
|  | <u>Health Training,<br/>Education And<br/>Training</u> | <u>Clinical<br/>Services</u> | <u>Educational<br/>And<br/>Operations<br/>Research</u> | <u>Total</u>        | <u>Management<br/>And<br/>General</u> | <u>Fund<br/>Raising</u> | <u>2014</u>         | <u>2013</u>          |
| <b>Grants:</b>   |  |                              |  |                     |                                       |                         |                     |                      |
| Awards to AMREF-Kenya  | \$ 1,084,828   | \$ 1,359,920                 | \$ 1,106,660   | \$ 3,551,408        | \$ 5,000                              | \$ -                    | \$3,556,408         | \$ 8,832,266         |
| <b>Other Expenses:</b>   |  |                              |  |                     |                                       |                         |                     |                      |
| Salaries, payroll taxes and related benefits                   | 120,764  | 53,143                       | 60,552   | 234,459             | 323,186                               | 490,602                 | 1,048,247           | 900,156              |
| Professional fees and services                                 | -  | -                            | -  | -                   | 20,750                                | -                       | 20,750              | 20,250               |
| Consultants  | 4,459  | 4,494                        | 4,494  | 13,447              | 19,708                                | 75,440                  | 108,595             | 113,757              |
| Travel   | 19,647   | 6,802                        | 4,802  | 31,251              | 32,373                                | 14,871                  | 78,495              | 72,117               |
| Memberships and registration fees                              | -  | -                            | -  | -                   | 22,704                                | -                       | 22,704              | 19,465               |
| Occupancy  | 14,353   | 17,993                       | 14,642   | 46,988              | 31,012                                | 15,976                  | 93,976              | 97,196               |
| Insurance  | 1,260  | 1,580                        | 1,286  | 4,126               | 2,723                                 | 1,403                   | 8,252               | 6,108                |
| Telecommunications   | -  | -                            | -  | -                   | 5,544                                 | -                       | 5,544               | 8,030                |
| Postage and shipping   | -  | -                            | -  | -                   | 3,088                                 | -                       | 3,088               | 4,525                |
| Direct mail  | -  | -                            | -  | -                   | -                                     | 171,919                 | 171,919             | 88,753               |
| Equipment maintenance  | 726  | 319                          | 364  | 1,409               | 1,942                                 | 2,948                   | 6,299               | 5,920                |
| Public relations   | -  | -                            | -  | -                   | -                                     | 8,837                   | 8,837               | 79,625               |
| Recruitment  | 17,984   | -                            | -  | 17,984              | 29,974                                | 18,651                  | 66,609              | -                    |
| Special events   | -  | -                            | -  | -                   | -                                     | 23,260                  | 23,260              | 8,040                |
| Miscellaneous  | 1,138  | 501                          | 571  | 2,210               | 47,809                                | 6,870                   | 56,889              | 19,808               |
| <b>Total expenses before depreciation<br/>and amortization</b> | 1,265,159  | 1,444,752                    | 1,193,371  | 3,903,282           | 545,813                               | 830,777                 | 5,279,872           | 10,276,016           |
| <b>Depreciation and Amortization</b>                           | 834  | 367                          | 418  | 1,619               | 2,234                                 | 3,390                   | 7,243               | 5,721                |
| <b>Total Expenses</b>  | <u>\$ 1,265,993</u>                                    | <u>\$ 1,445,119</u>          | <u>\$ 1,193,789</u>                                    | <u>\$ 3,904,901</u> | <u>\$ 548,047</u>                     | <u>\$ 834,167</u>       | <u>\$ 5,287,115</u> | <u>\$ 10,281,737</u> |

*See accompanying notes to financial statements.*

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

**STATEMENTS OF CASH FLOWS**

**For The Years Ended September 30, 2014 And 2013**

|  | <u>2014</u>       | <u>2013</u>       |
|--|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                   |                   |
| <i>Increase (decrease) in net assets</i>   | \$ (360,932)      | \$ 80,561         |
| <i>Adjustments to reconcile increase in net assets to net cash used for operating activities</i> |                   |                   |
| Depreciation   | 7,243             | 5,721             |
| Realized/unrealized gains on investments   | (35,715)          | (30,306)          |
| (Increase) decrease in   |                   |                   |
| Grants receivable  |                   |                   |
| U.S. Government  | 338,083           | 253,125           |
| Other  | (16,267)          | (201,083)         |
| Prepaid expenses and other assets  | (7,622)           | (582)             |
| (Decrease) increase in   |                   |                   |
| Accounts payable   | 42,222            | (58,249)          |
| Due to AMREF/Kenya   | <u>(121,143)</u>  | <u>(81,818)</u>   |
| <b>Net cash used for operating activities</b>  | <u>(154,131)</u>  | <u>(32,631)</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                   |                   |
| Purchases of investments   | (1,052,685)       | (200,453)         |
| Proceeds from sale of investments  | 1,240,068         | 211,388           |
| Purchase of equipment  | <u>(7,604)</u>    | <u>(2,546)</u>    |
| <b>Net cash provided by investing activities</b>   | <u>179,779</u>    | <u>8,389</u>      |
| <b>Net increase (decrease) in cash</b>   | 25,648            | (24,242)          |
| <b>CASH AND CASH EQUIVALENTS</b>   |                   |                   |
| Beginning of year  | <u>129,970</u>    | <u>154,212</u>    |
| <b>End of year</b>   | <u>\$ 155,618</u> | <u>\$ 129,970</u> |

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2014 And 2013**

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**(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***ORGANIZATION***

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

***ACCOUNTING ESTIMATES***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***CONCENTRATION OF 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.



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

*NOTES TO FINANCIAL STATEMENTS – (Continued)*

**September 30, 2014 And 2013**

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***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.

***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 (2011 – 2013) or expected to be taken in the AMREF's 2014 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, 2013, from which the summarized information was derived.

***RECLASSIFICATIONS***

Certain reclassifications were made to the 2013 financial statements to conform to the 2014 presentation.

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

*NOTES TO FINANCIAL STATEMENTS – (Continued)*

**September 30, 2014 And 2013**

**(2) INVESTMENTS**

The following is a summary of AMREF's investments at September 30, 2014 and 2013:

|                          | <u>2014</u>         |                     | <u>2013</u>         |                     |
|--------------------------|---------------------|---------------------|---------------------|---------------------|
|                          | <u>Cost</u>         | <u>Market</u>       | <u>Cost</u>         | <u>Market</u>       |
| Money Market Funds       | \$ 1,271,029        | \$ 1,271,029        | \$ 739,212          | \$ 739,212          |
| Certificates of Deposits | 250,000             | 250,197             | 980,000             | 979,765             |
| Corporate Stocks         | 2,510               | 2,440               | -                   | -                   |
| Mutual Funds             |                     |                     |                     |                     |
| Equity                   | 482,140             | 537,059             | 477,622             | 497,101             |
| Bond                     | <u>167,017</u>      | <u>166,962</u>      | <u>163,320</u>      | <u>163,277</u>      |
| <b>Total</b>             | <u>\$ 2,172,696</u> | <u>\$ 2,227,687</u> | <u>\$ 2,360,154</u> | <u>\$ 2,379,355</u> |

At September 30, 2014 and 2013, unrealized gains (losses) consisted of \$54,991 and \$19,201, respectively.

The following summarizes the investment return for the years ended September 30, 2014 and 2013:

|                                       | <u>2014</u>      | <u>2013</u>      |
|---------------------------------------|------------------|------------------|
| Interest income                       | \$ 25,490        | \$ 24,867        |
| Realized gains                        | (75)             | 3,049            |
| Unrealized gains                      | <u>35,790</u>    | <u>27,257</u>    |
| Total investment income – investments | <u>\$ 61,205</u> | <u>\$ 55,173</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.



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

*NOTES TO FINANCIAL STATEMENTS – (Continued)*

**September 30, 2014 And 2013**

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**(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 2014 and 2013 was approximately \$86,500 and \$83,500, respectively.

Future minimum rental commitments under this lease are as follows:

|      |                 |
|------|-----------------|
| 2015 | <u>\$67,100</u> |
|------|-----------------|

**(5) SUBSEQUENT EVENTS**

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