



INTERCHURCH MEDICAL ASSISTANCE, INC.

Financial Statements

For the Year Ended June 30, 2017

(With Summarized Financial Information for the Year Ended June 30, 2016)



**and
Report Thereon**



**Reports Required in Accordance with
the Uniform Guidance**

For the Year Ended June 30, 2017



INTERCHURCH MEDICAL ASSISTANCE, INC.

TABLE OF CONTENTS
For the Year Ended June 30, 2017

	Page
Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows.....	6
Notes to Financial Statements	7-16
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17-18
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	19-20
Schedule of Expenditures of Federal Awards	21
Notes to Schedule of Expenditures of Federal Awards	22
Schedule of Findings and Questioned Costs	23



Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Interchurch Medical Assistance, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Interchurch Medical Assistance, Inc. (IMA), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, 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 Interchurch Medical Assistance, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Continued

Other Matters

Report on Summarized Comparative Information

We have previously audited IMA's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 21, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, 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 October 13, 2017, on our consideration of IMA'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 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 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 IMA's internal control over financial reporting and compliance.



Raffa, P.C.

Washington, DC
October 13, 2017

INTERCHURCH MEDICAL ASSISTANCE, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2017

(With Summarized Financial Information as of June 30, 2016)

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 10,669,312	\$ 7,392,929
Investments	1,009,147	931,580
Accounts receivable, net	13,092,064	14,488,731
Prepaid expenses and other assets	682,525	380,097
Advances to subrecipients	3,074,578	7,735,591
Inventory of donated medicine and medical supplies	1,812,550	1,221,384
Property and equipment, net	1,060,844	1,174,833
TOTAL ASSETS	\$ 31,401,020	\$ 33,325,145
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 7,982,544	\$ 10,733,833
Deferred revenue	17,139,612	16,514,380
Deposits	16,583	15,907
Deferred rent and lease incentive	1,372,963	1,145,671
TOTAL LIABILITIES	26,511,702	28,409,791
Net Assets		
Unrestricted		
Undesignated	3,464,811	3,621,634
Designated	1,009,147	931,580
Total Unrestricted	4,473,958	4,553,214
Temporarily restricted	415,360	362,140
TOTAL NET ASSETS	4,889,318	4,915,354
TOTAL LIABILITIES AND NET ASSETS	\$ 31,401,020	\$ 33,325,145

The accompanying notes are an integral part of these financial statements.

INTERCHURCH MEDICAL ASSISTANCE, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

(With Summarized Financial Information for the Year Ended June 30, 2016)

	2017		2016	
	Unrestricted	Temporarily Restricted	Total	Total
OPERATING REVENUE AND SUPPORT				
Contributions and grants	\$ 67,334,051	\$ 336,564	\$ 67,670,615	\$ 74,070,049
U.S. government grants and contracts	27,076,069	-	27,076,069	22,419,382
Donated medicine and medical supplies	2,295,263	-	2,295,263	3,647,734
Other income	197,618	1,070	198,688	238,768
Interest, dividends and realized gains (losses) on investments	64,478	-	64,478	(25,081)
Net assets released from restrictions:				
Satisfaction of purpose restrictions	284,414	(284,414)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	97,251,893	53,220	97,305,113	100,350,852
OPERATING EXPENSES				
Program Services:				
Assistance to overseas institutions of healthcare	89,210,304	-	89,210,304	92,841,143
Total Program Services	89,210,304	-	89,210,304	92,841,143
Supporting Services:				
General and administrative	7,787,236	-	7,787,236	7,005,864
Fundraising and development	146,667	-	146,667	158,762
Total Supporting Services	7,933,903	-	7,933,903	7,164,626
TOTAL OPERATING EXPENSES	97,144,207	-	97,144,207	100,005,769
Change in net assets from operations	107,686	53,220	160,906	345,083
Nonoperating Activities:				
Foreign currency losses	(207,374)	-	(207,374)	(177,957)
Loss on disposal of fixed assets	-	-	-	(79,580)
Unrealized gains on investments	20,432	-	20,432	30,659
CHANGE IN NET ASSETS	(79,256)	53,220	(26,036)	118,205
NET ASSETS, BEGINNING OF YEAR	4,553,214	362,140	4,915,354	4,797,149
NET ASSETS, END OF YEAR	\$ 4,473,958	\$ 415,360	\$ 4,889,318	\$ 4,915,354

The accompanying notes are an integral part of these financial statements.

INTERCHURCH MEDICAL ASSISTANCE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2017

(With Summarized Financial Information for the Year Ended June 30, 2016)

	<u>Program Services</u>	<u>Supporting Services</u>			
	Assistance to Overseas Institutions of Healthcare	General and Administrative	Fundraising and Development	Total 2017	Total 2016
Program and subgrantee assistance	\$ 43,192,480	\$ -	\$ -	\$ 43,192,480	\$ 55,363,868
Salaries and related benefits	18,640,762	4,441,953	90,424	23,173,139	17,889,729
Office operation and occupancy	5,900,921	1,956,545	23,131	7,880,597	7,225,768
Staff travel	7,099,743	732,566	2,433	7,834,742	6,518,997
Shipping and freight	7,027,049	6,233	1,136	7,034,418	4,854,683
Professional fees	4,020,267	500,917	8,340	4,529,524	2,865,330
Publication and printing	970,545	20,202	4,557	995,304	913,884
Media and marketing services	654,439	14,831	16,646	685,916	430,020
Depreciation and amortization	-	113,989	-	113,989	71,463
Total Expenses Before In-Kind Contributions	87,506,206	7,787,236	146,667	95,440,109	96,133,742
In-kind contributions	1,704,098	-	-	1,704,098	3,872,027
TOTAL EXPENSES	\$ 89,210,304	\$ 7,787,236	\$ 146,667	\$ 97,144,207	\$ 100,005,769

The accompanying notes are an integral part of these financial statements.

INTERCHURCH MEDICAL ASSISTANCE, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2017

(With Summarized Financial Information for the Year Ended June 30, 2016)

Increase (Decrease) in Cash and Cash Equivalents

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (26,036)	\$ 118,205
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	113,989	71,463
Realized losses (gains) on investments	(34,697)	51,873
Unrealized gains on investments	(20,432)	(30,659)
Loss on disposal of fixed assets	-	79,580
Changes in assets and liabilities:		
Accounts receivable	1,396,667	(10,002,297)
Prepaid expenses and other assets	(302,428)	4,163
Advances to subrecipients	4,661,013	4,985,685
Inventory of donated medicine and medical supplies	(591,166)	224,293
Accounts payable and accrued expense	(2,751,289)	7,513,676
Deferred revenue	625,232	(4,098,934)
Deposits	676	(275,324)
Deferred rent and lease incentive	227,292	19,996
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	3,298,821	(1,338,280)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(335,128)	(31,563)
Proceeds from the sale of investments	312,690	9,356
Purchases of property and equipment	-	(104,736)
NET CASH USED IN INVESTING ACTIVITIES	(22,438)	(126,943)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under line of credit	10,704,890	3,460,000
Payments made on line of credit	(10,704,890)	(3,460,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,276,383	(1,465,223)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,392,929	8,858,152
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 10,669,312	\$ 7,392,929
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 79,503	\$ 11,501
NONCASH FINANCING AND INVESTING ACTIVITIES		
Leasehold improvements acquired in operating lease	\$ -	\$ 1,125,675
Deferred lease incentive included in operating lease	-	(1,125,675)
	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

INTERCHURCH MEDICAL ASSISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2017

1. Organization and Summary of Significant Accounting Policies

Organization

Interchurch Medical Assistance, Inc. (d/b/a IMA World Health) (IMA) is incorporated pursuant to the provisions of the Membership Corporation law of the State of Maryland.

IMA's vision of health, healing and well-being for all is based on the Christian call to serve one another. The founding members of IMA, Protestant Churches and church-based organizations, chose to be intentionally ecumenical to provide health services and to build healthy communities around the world. People can do more together than alone; that spirit of joint action remains foundational to IMA today.

IMA believes the core ecumenical imperatives are unity and respect for all faiths and traditions. The mission of IMA is to advance health and healing for vulnerable and marginalized people. IMA's activities are funded primarily through contracts, grants and contributions.

Organizational Excellence

IMA believes the most effective programs must be contextually innovative and evidence-based. IMA delivers technical expertise, strong operational and management approaches, and a culture of continual learning to develop the most effective results-driven programs.

Stewardship and Accountability

IMA conducts all financial and programmatic matters with transparency, efficiency and effectiveness. IMA is a responsible, reliable and wise steward of all resources it receives, and IMA holds itself to the highest ethical and financial standards.

Empowering Partnerships

IMA believes the way to achieve sustainable development is to be in full and mutual partnership with local people, organizations and governments. IMA works with all partners without regard to race, religion, politics, gender or sexual orientation.

Serving Vulnerable People and Populations

IMA stands in solidarity with those in need, recognizing and respecting that each individual has the right to be an agent of positive change in his/her own life. IMA supports this right through serving the needs of the vulnerable in our world.

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

Cash Equivalents

Cash equivalents include money market funds.

INTERCHURCH MEDICAL ASSISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

1. Organization and Summary of Significant Accounting Policies (continued)

Investments

Investments consist of mutual funds. These investments are recorded in the accompanying statement of financial position at fair value based on quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability through an orderly transaction between market participants at the measurement date. The change in unrealized appreciation or depreciation of investments is included in unrealized gains (losses) on investments in the accompanying statement of activities. Realized gains and losses on sales of investments are computed on an average cost method and are recorded on the trade date of the transaction and included in interest, dividends and realized gains (losses) on investments in the accompanying statement of activities.

Fair Value Measurement

Accounting standards define fair value, establish a framework for measuring fair value in accordance with GAAP and expand disclosures about fair value measurement for those assets and liabilities that are measured at fair value on a recurring basis. Accounting standards determine fair value using assumptions that market participants would use to determine the price of the asset or liability, as opposed to measurements determined based upon information specific to the entity holding those assets and liabilities. To determine those market participant assumptions, accounting standards established a fair value hierarchy of inputs that the entity must consider, including both independent market data inputs and the entity's own assumptions about the market participant assumptions.

Accounts Receivable

Accounts receivable represent amounts due from the federal government and other organizations for reimbursable costs incurred in accordance with grant and contract agreements. Accounts receivable is reported net of an allowance for doubtful accounts. The allowance is based on historical collection experience and management's review of the current status of accounts receivable. Management considers all amounts due within one year and has recorded an allowance for doubtful accounts of \$486,444 as of June 30, 2017.

Advances to Subrecipients

IMA advances grant funds to subrecipients under the terms of its various cost-reimbursable grant agreements and records these amounts as advances to subrecipients. Upon submission of the required financial reports by the subrecipients detailing the amount of funds expended under these grant agreements during each quarter and upon approval by IMA, IMA recognizes grant expense to the extent of allowable direct and indirect expenses incurred by the subrecipients. Any amounts advanced by IMA in excess of expenses incurred by the subrecipients are reflected as advances to subrecipients in the accompanying statement of financial position. Any amounts due to subrecipients for expenditures incurred in excess of advances made are reflected in accounts payable and accrued expenses in the accompanying statement of financial position.

INTERCHURCH MEDICAL ASSISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

1. Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment and Related Depreciation and Amortization

Purchases of property and equipment are stated at cost and are principally depreciated on a straight-line basis over the estimated useful lives of the respective assets, which range from three to 10 years for office furniture, equipment and program equipment and are 40 years for the buildings and building improvements. Leasehold improvements are amortized on the straight-line basis over the shorter of the lease term or the estimated useful life of the asset. Expenditures for major repairs and improvements are capitalized; conversely, expenditures for minor repairs and maintenance costs are expensed when incurred. IMA's policy is to capitalize purchases of furniture, equipment and major repairs and improvements of \$5,000 or more. Upon the retirement or disposal of assets, the cost and accumulated depreciation and amortization are eliminated from the respective accounts and the resulting gain or loss is included in gain or loss on disposal of fixed assets.

Donated Medicine and Medical Supplies

Pharmaceutical contributions are recorded at the estimated fair value based upon pricing source inputs which consider wholesale prices and donor values on the date of receipt. During the year ended June 30, 2017, IMA received \$2,295,263 of donated medicine and medical supplies. Non-pharmaceutical contributions received by IMA have been valued at their estimated wholesale value as provided by the donor, or, in the absence of the donor's valuation, using "like-kind" methodology that references United States wholesale pricing data for similar products. Expense is recorded when the goods are distributed for program use.

Classification of Net Assets

IMA's net assets are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of IMA's operation. Board-designated funds represent amounts to be used as a reserve fund for program development.
- Temporarily restricted net assets are specifically restricted by donors for various purposes or future time periods.

Revenue Recognition

IMA has cost-reimbursable grants and contracts with U.S. government agencies and other organizations. Revenue from these grants and contracts is recognized as allowable costs are incurred on the basis of direct costs plus allowable indirect costs. Direct and indirect expenses incurred, but not yet reimbursed, under these grants and contracts are included in accounts receivable in the accompanying statement of financial position. Funds received, but not yet expended, under grants and contracts are reflected as deferred revenue in the accompanying statement of financial position.

INTERCHURCH MEDICAL ASSISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

IMA recognizes unrestricted contributions as revenue in the period in which they are received or when the unconditional promise to give is made. IMA reports contributions as temporarily restricted support if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing the programs and other activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Costs directly related to program and/or supporting services are charged to these functional areas. Expenses related to more than one function are allocated among the program and supporting services benefited based upon various methods deemed to justify the benefits received by the program and supporting services.

Transactions in Foreign Currencies

IMA conducts many of its programs through field offices in foreign countries and, accordingly, transacts in the local currencies of those countries. These foreign currency transactions are translated into U.S. dollars at the appropriate exchange rates when each transaction is executed. The net loss from foreign currency transactions totaled \$207,374 for the year ended June 30, 2017, and is included as foreign currency loss in the accompanying statement of activities. The U.S. dollar is considered to be the functional and reporting currency of IMA.

Use of Estimates

In preparing financial statements in conformity with GAAP, management makes estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Measure of Operations

IMA considers unrealized gains and losses on investments, loss on disposal of fixed assets and foreign currency transactions gains and losses to be nonoperating activities in nature.

2. Investments

Investments consisted of mutual funds totaling \$1,009,147 as of June 30, 2017.

INTERCHURCH MEDICAL ASSISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

2. Investments (continued)

A summary of net investment income is as follows for the year ended June 30, 2017:

Interest and dividends	\$ 37,390
Net realized gains	34,697
Investment fees	<u>(7,609)</u>
Subtotal	64,478
Net unrealized gains	<u>20,432</u>
Investment Income, Net	<u>\$ 84,910</u>

3. Fair Value Measurement

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, IMA has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

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

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability, such as quoted prices for similarly structured securities in active markets.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing IMA's own assumptions about the assumptions a market participant would use in valuing the asset or liability.

INTERCHURCH MEDICAL ASSISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

3. Fair Value Measurement (continued)

The following table summarizes IMA's assets measured at fair value on a recurring basis as of June 30, 2017:

	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds:				
Equity securities	\$ 519,730	\$ 519,730	\$ -	\$ -
Bond securities	430,636	430,636	-	-
Commodities	25,933	25,933	-	-
Real estate	<u>29,616</u>	<u>29,616</u>	<u>-</u>	<u>-</u>
Total Investments ^(a)	<u>\$ 1,005,915</u>	<u>\$ 1,005,915</u>	<u>\$ -</u>	<u>\$ -</u>

(a) Excludes cash of \$3,232 which is not considered subject to a fair value measurement.

Mutual funds were valued using quoted prices in an active market.

4. Property and Equipment

Property and equipment consisted of the following as of June 30, 2017:

Leasehold improvements	\$ 1,230,411
Furniture and equipment	<u>220,525</u>
Total Property and Equipment	1,450,936
Less: Accumulated Depreciation and Amortization	<u>(390,092)</u>
Net Property and Equipment	<u>\$ 1,060,844</u>

Depreciation and amortization expense totaled \$113,989 for the year ended June 30, 2017.

5. Temporarily Restricted Net Assets

As of June 30, 2017, IMA's temporarily restricted net assets were available for the following purposes:

Tanzania grant projects	\$ 110,655
Lymphatic Filariasis projects	84,049
South Sudan grant projects	78,365
Safe Motherhood Kits	59,739
Medicine Box projects	46,306
DRC grant projects	20,858
Haiti grant projects	<u>15,388</u>
Total	<u>\$ 415,360</u>

Continued

INTERCHURCH MEDICAL ASSISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

6. Commitments and Contingencies

Office of Management and Budget Uniform Guidance

IMA has instructed its independent auditor to audit its applicable federal programs for the year ended June 30, 2017, in compliance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), issued by the U.S. Office of Management and Budget (OMB). Until such audit is reviewed and accepted by the contracting or granting agencies, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management believes that any matters arising from the reviews by the federal or state agencies of the independent auditor's reports for the year ended June 30, 2017, will not have a material effect on IMA's financial position as of June 30, 2017, or its results of operations for the year then ended.

Provisional Indirect Cost Rates

Billings under cost-reimbursable government agreements are calculated using provisional rates that permit the recovery of indirect costs. These rates are subject to audit on an annual basis by IMA's cognizant agency. The audit results in the negotiation and determination of the final indirect cost rates, which may create a liability for indirect cost recovery billed in excess of the actual rates or that may allow for additional billings for unbilled indirect costs. The U.S. Agency for International Development (USAID) audits costs of IMA related to U.S. federal government funds, in accordance with the Uniform Guidance, issued by the OMB. USAID has yet to audit IMA's rates for the year ended June 30, 2017. Management believes that matters arising from USAID's review of the independent auditor's reports for fiscal year 2017 will not have a material effect on IMA's financial position.

Concentration of Credit Risk

IMA maintains its cash and cash equivalents with commercial financial institutions, which aggregate balances may exceed, at times, the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of June 30, 2017, IMA's balances exceeded the maximum limit insured by the FDIC by approximately \$8,585,000. IMA monitors the creditworthiness of these institutions and has not experienced any historical credit losses on its cash and cash equivalents.

Foreign Operations

IMA has field offices in various foreign countries. The future results of IMA's programs could be adversely affected by a number of potential factors such as currency fluctuations or changes in the political climate. As of June 30, 2017, IMA had cash and cash equivalents in these countries totaling approximately \$1,442,000, representing approximately 4.6% of IMA's total assets.

Operating Lease

On November 12, 2015, IMA executed a noncancelable 11-year operating lease agreement for its headquarter offices in Washington, DC. The operating lease agreement contains provisions for annual increases in the base rent, operating expenses and real estate tax

INTERCHURCH MEDICAL ASSISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

6. Commitments and Contingencies (continued)

Operating Lease (continued)

expenses, as well as a rent abatement period at the beginning of the lease. An irrevocable standby letter of credit agreement, not to exceed \$112,643, was executed as a security deposit for the lease. The letter of credit does not accrue interest as long as IMA has no borrowings against the letter of credit; however, the available amount on the letter of credit reduces the amount that IMA can draw on the line of credit discussed below. There were no borrowings against the letter of credit for the year ended June 30, 2017. The letter of credit is set to expire on April 30, 2018, unless an extension is consented to by the bank, in writing.

The operating lease also provides for tenant improvements. At the lease commencement date of November 12, 2015, \$1,125,675 was capitalized as leasehold improvements and a deferred lease incentive was recorded. The leasehold improvements and the deferred lease incentive will be amortized over the life of the lease.

Under GAAP, all rental payments, including fixed rent increases, are recognized on a straight-line basis over the term of the lease. The difference between the GAAP rent expense and the required lease payments is reflected as deferred rent and lease incentive in the accompanying statement of financial position.

Rent expense totaled \$1,824,920 for the year ended June 30, 2017, and is included in office operation and occupancy in the accompanying statement of functional expenses. This amount includes rent expenses for leases in foreign offices, which either are renewed on a month-to-month basis or expire within one year.

The future minimum rental payments required under this lease, as of June 30, 2017, were as follows:

For the Year Ending June 30,	
2018	\$ 697,081
2019	714,508
2020	732,371
2021	753,522
2022	780,886
Thereafter	<u>3,689,546</u>
Total	<u>\$ 7,367,914</u>

Line of Credit

IMA maintains a line of credit with a bank for which the maximum permitted outstanding balance is \$5,000,000. Principal is due on demand, and interest was at the daily London Interbank Offered Rate plus 2.5%. The interest rate as of June 30, 2017, was 3.72%.

Continued

INTERCHURCH MEDICAL ASSISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

6. Commitments and Contingencies (continued)

Line of Credit (continued)

Subsequent to year-end, the line of credit was renewed through April 30, 2018. There was no balance outstanding as of June 30, 2017, on the line of credit.

IMA received a revolving line of credit from a donor on November 11, 2014, concurrently with a pledge grant agreement. This revolving line of credit is lowered by any pledge payments received from the donor, and is not to exceed the maximum outstanding balance. As of June 30, 2017, the maximum permitted outstanding balance allowed on this revolving line of credit was \$250,000. Interest on the revolving line of credit is accrued daily from the date of the advance at a rate of 5%. Interest and principal are payable six months after the disbursement of any advance. There was no balance outstanding on the revolving line of credit as of June 30, 2017.

Major Funders

During 2017, IMA recognized revenue of \$55,953,925 under contracts and grants with one agency of the United Kingdom government. Revenue recognized under these contracts and grants was approximately 59% of total operating revenue and support, excluding donated medicine and medical supplies, for the year ended June 30, 2017. If the level of funding by this agency was to be significantly curtailed, it might have an adverse impact on IMA's ability to carry out its programs.

7. Pension Plan

IMA sponsors a retirement plan in accordance with Section 403(b) of the Internal Revenue Code (the IRC). IMA's employees are eligible to participate in the plan if they have been credited with 1,000 or more hours of service during any consecutive 12-month period. Under the plan, eligible employees may make pretax contributions up to the limits established by the IRC. All employer contributions are discretionary. The employer contributions are fully vested. Pension expense was \$319,135 for the year ended June 30, 2017.

8. Income Taxes

Under Section 501(c)(3) of the IRC, IMA is exempt from the payment of taxes on income other than net unrelated business income. For the year ended June 30, 2017, no provision for income taxes was made, as IMA had no net unrelated business income.

IMA follows the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in the entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. IMA performed an

INTERCHURCH MEDICAL ASSISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

8. Income Taxes (continued)

evaluation of uncertainty in income taxes for the year ended June 30, 2017, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2017, the statute of limitations for tax fiscal years ended June 30, 2014, through June 30, 2016, remains open with the U.S. federal jurisdiction or various states and local jurisdictions in which IMA files tax returns. It is IMA's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

9. Prior Year Summarized Financial Information

The accompanying 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 GAAP. Accordingly, such information should be read in conjunction with IMA's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

10. Reclassification

Certain prior year amounts have been reclassified for comparative purposes to conform to the current year presentation.

11. Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 13, 2017, the date the financial statements were available to be issued. Except as disclosed in Note 6 in relation to the extension of the line of credit, there were no other subsequent events identified which are required to be disclosed in these consolidated financial statements.



Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Interchurch Medical Assistance, Inc.

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 Interchurch Medical Assistance, Inc. (IMA), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 13, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered IMA'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 IMA's internal control. Accordingly, we do not express an opinion on the effectiveness of IMA'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 a 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether IMA'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

Continued

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Raffa P.C.

Raffa, P.C.

Washington, DC
October 13, 2017



Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Interchurch Medical Assistance, Inc.

Report on Compliance for Each Major Federal Program

We have audited Interchurch Medical Assistance, Inc.'s (IMA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of IMA's major federal programs for the year ended June 30, 2017. IMA'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 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 IMA'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* (the 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 IMA'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 IMA's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of IMA 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 IMA'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 IMA'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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Raffa P.C.

Raffa, P.C.

Washington, DC
October 13, 2017

INTERCHURCH MEDICAL ASSISTANCE, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID)				
Foreign Assistance for Programs Overseas	98.001	N/A	\$ 1,904,080	\$ 3,819,208
<i>Pass-through from RTI International</i> Neglected Tropical Diseases – Envision	98.001	GHS-A-00-06-0000-00	-	12,437,447
<i>Pass-through from JSI Research & Training Institute, Inc.</i> AIDS-Free Generation Project	98.001	AID-OAA-A-14-00046	4,155	207,700
<i>Pass-through from Abt Associates</i> Sustaining Health Outcomes through the Private Sector	98.001	AID-OAA-A15-00067	-	16,697
Total Foreign Assistance for Programs Overseas for CFDA 98.001			1,908,235	16,481,052
Global Development Alliance	98.011	N/A	-	79,501
Total U.S. Agency for International Development			<u>1,908,235</u>	<u>16,560,553</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Pass-through from Centers for Disease Control</i> Advancing the Control and Elimination of Neglected Tropical Diseases	93.283	3U51GH000952-01W1	45,355	238,872
Total U.S. Department of Health and Human Services			<u>45,355</u>	<u>238,872</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,953,590</u>	<u>\$ 16,799,425</u>

See accompanying notes to this schedule.

INTERCHURCH MEDICAL ASSISTANCE, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

1. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. Consequently, amounts are recorded as expenditures when the obligations are incurred.

Cost Principles

Federal expenditures were recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). IMA has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance as IMA already has a negotiated indirect cost rate with the federal government.

2. Reconciliation of Schedule of Expenditures of Federal Awards to the Statement of Activities

Expenditures per schedule of expenditures of federal awards	\$ 16,799,425
Plus: Federal contracts	<u>10,276,644</u>
U.S. Government Grants and Contracts Revenue Reported on the Statement of Activities	<u>\$27,076,069</u>

INTERCHURCH MEDICAL ASSISTANCE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified Qualified
 Adverse Disclaimer

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Type of auditor's report issued on compliance for major programs: Unmodified Qualified
 Adverse Disclaimer

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR, 200 516(a)? Yes No

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Program Titles</u>
98.001	USAID Foreign Assistance for Programs Overseas
93.283	Advancing the Control and Elimination of Neglected Tropical Diseases

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as a low-risk auditee? Yes No

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None required to be reported.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None required to be reported.