

*TAIT, WELLER & BAKER LLP*  
*Certified Public Accountants*

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

**Board of Directors**  
**Interchurch Medical Assistance, Inc.**  
**New Windsor, Maryland**

We have audited the accompanying statement of financial position of Interchurch Medical Assistance, Inc. as of June 30, 2011, and the related statements of activities and changes in net assets, and of cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized information has been derived from Interchurch Medical Assistance, Inc.'s 2010 financial statements and, in our report dated January 25, 2011 we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Interchurch Medical Assistance, Inc. at June 30, 2011, 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**  
**December 1, 2011**

# INTERCHURCH MEDICAL ASSISTANCE, INC.

## STATEMENTS OF FINANCIAL POSITION

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash (including savings account deposits of \$196,815 in 2011 and \$125,097 in 2010)	\$ 2,970,826	\$3,025,841
Temporary investments, at cost which approximates market	54,335	53,949
Investments, at value ( <i>Note 2</i> )	757,959	642,261
Accounts receivable – U.S. Government	141,153	1,047,844
Accounts receivable, net	1,407,219	1,210,708
Interest receivable	1,125	838
Prepaid expenses and other assets	78,940	86,783
Project advances to subgrantees	494,777	870,040
Advances to country offices	1,003,556	541,014
Equipment and improvements (net of accumulated depreciation of \$370,840 in 2011 and \$303,555 in 2010)	<u>53,887</u>	<u>121,171</u>
	6,963,777	7,600,449
Inventory of donated drugs and medical supplies	<u>8,184,559</u>	<u>1,817,325</u>
<b>Total assets</b>	<u>\$15,148,336</u>	<u>\$9,417,774</u>
<b>LIABILITIES</b>		
Accounts payable and other accrued expenses	\$ 618,434	\$1,918,653
Deferred revenue	515,927	596,888
Deposits	<u>30,924</u>	<u>32,285</u>
<b>Total liabilities</b>	<u>1,165,285</u>	<u>2,547,826</u>
<b>NET ASSETS</b>		
Unrestricted		
General operating funds		
Undesignated	737,172	780,937
Designated	515,000	515,000
Unrealized depreciation of investments	58,863	(41,861)
Unallocated drugs and medical supplies	<u>8,184,559</u>	<u>1,817,325</u>
<b>Total unrestricted</b>	9,495,594	3,071,401
Temporarily restricted ( <i>Note 3</i> )	<u>4,487,457</u>	<u>3,798,547</u>
<b>Total net assets</b>	<u>13,983,051</u>	<u>6,869,948</u>
<b>Total liabilities and net assets</b>	<u>\$15,148,336</u>	<u>\$9,417,774</u>

# INTERCHURCH MEDICAL ASSISTANCE, INC.

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2011 with Summarized Information for 2010

	Unrestricted			Totals	
	General Operating Funds	Donated Drugs And Medical Supplies Inventory	Temporarily Restricted	2011	2010
<b>INCOME</b>					
Donated drugs and medical supplies (net of destruction in compliance with government regulations – \$78,303 in 2011 and \$105,100 in 2010)	\$ -	\$ 64,946,079	\$ -	\$ 64,946,079	\$ 69,939,303
Administrative support					
Members	4,429	-	-	4,429	6,154
Non-members	14,146	-	-	14,146	27,120
Purchase program	10,742	-	-	10,742	12,206
U.S. Government grants	15,455,247	-	-	15,455,247	22,092,213
Contributions and grants	528,515	-	7,023,657	7,552,172	6,499,765
Investment (loss) income	19,495	-	3,118	22,613	(13,686)
Medicine box income	-	-	142,093	142,093	123,351
<b>Total</b>	<u>16,032,574</u>	<u>64,946,079</u>	<u>7,168,868</u>	<u>88,147,521</u>	<u>98,686,426</u>
Net assets released from restrictions ( <i>Note 3</i> )	6,479,958	-	(6,479,958)	-	-
<b>Total income</b>	<u>22,512,532</u>	<u>64,946,079</u>	<u>688,910</u>	<u>88,147,521</u>	<u>98,686,426</u>
<b>EXPENSES</b>					
<b>Program services</b>					
Assistance to overseas institutions of healthcare	19,717,515	58,578,845	-	78,296,360	126,395,761
<b>Supporting services</b>					
General administration	2,558,831	-	-	2,558,831	2,643,540
Promotion and interpretation	279,951	-	-	279,951	362,175
<b>Total supporting services</b>	<u>2,838,782</u>	<u>-</u>	<u>-</u>	<u>2,838,782</u>	<u>3,005,715</u>
<b>Total expenses</b>	<u>22,556,297</u>	<u>58,578,845</u>	<u>-</u>	<u>81,135,142</u>	<u>129,401,476</u>
<b>Excess (deficiency) of income over expenses</b>	(43,765)	6,367,234	688,910	7,012,379	(30,715,050)
<b>OTHER CHANGES</b>					
Unrealized gain on investments	100,724	-	-	100,724	110,919
<b>NET CHANGE IN NET ASSETS</b>	56,959	6,367,234	688,910	7,113,103	(30,604,131)
<b>NET ASSETS</b>					
Beginning of year	1,254,076	1,817,325	3,798,547	6,869,948	37,474,079
<b>End of year</b>	<u>\$ 1,311,035</u>	<u>\$ 8,184,559</u>	<u>\$ 4,487,457</u>	<u>\$ 13,983,051</u>	<u>\$ 6,869,948</u>

See notes to financial statements.

# INTERCHURCH MEDICAL ASSISTANCE, INC.

## STATEMENTS OF CASH FLOWS

Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<i>Cash flows from operating activities</i>		
<i>Net change in net assets</i>	\$ 7,113,103	\$(30,604,131)
<i>Adjustments to reconcile changes in net assets     to net cash provided by (used in) operating activities</i>		
Depreciation	67,284	76,020
Loss on sale of investments	5,399	44,864
Unrealized gain on investments	(100,724)	(110,919)
(Increase) decrease in		
Accounts receivable – U.S. Government	906,691	(823,307)
Accounts receivable	(196,511)	(1,111,678)
Interest receivable	(287)	671
Prepaid expenses and other assets	7,843	(47,778)
Project advances to subgrantees	375,263	458,295
Advances to country offices	(462,542)	299,403
Donated inventory	(6,367,234)	32,722,044
Increase (decrease) in		
Accounts payable and other accrued expense	(1,300,219)	389,411
Deferred revenue	(80,961)	(256,099)
Deposits	<u>(1,361)</u>	<u>(13,456)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>(34,256)</u>	<u>1,023,340</u>
<i>Cash flows from investing activities</i>		
Purchase of property equipment	-	(46,148)
Purchase of investments	(281,741)	(187,929)
Proceeds from sale of investments	<u>261,368</u>	<u>168,338</u>
<b>Net cash used in investing activities</b>	<u>(20,373)</u>	<u>(65,739)</u>
<b>Net increase (decrease) in cash and temporary investments</b>	(54,629)	957,601
<i>Cash and temporary investments</i>		
Beginning of year	<u>3,079,790</u>	<u>2,122,189</u>
<b>End of year</b>	<u>\$ 3,025,161</u>	<u>\$ 3,079,790</u>

# INTERCHURCH MEDICAL ASSISTANCE, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

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### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ***ORGANIZATION AND PURPOSE***

Interchurch Medical Assistance, Inc. (“*IMA*”) is incorporated pursuant to the provisions of the Membership Corporation law of the State of Maryland.

The mission of IMA is to advance health and healing to vulnerable and marginalized people.

#### ***ACCOUNTING ESTIMATES***

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, 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.

#### ***SUBSEQUENT EVENTS***

Subsequent events after the statement of financial position date through the date that the financial statements were available for issuance, December 1, 2011, have been evaluated in the preparation of the financial statements.

#### ***INCOME TAXES***

IMA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the “*Code*”) and has been classified as a public charity under Section 509(a)(3) of the Code.

Management has reviewed the tax positions for each of its open tax years (2007 – 2009) or expected to be taken in IMA’s 2010 tax return and has concluded that there are no uncertain tax positions that would require recognition in the financial statements.

#### ***CONCENTRATION OF CREDIT RISK***

IMA occasionally maintains deposits 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 the deposits are made.

#### ***GRANTS AND CONTRIBUTIONS***

IMA reports grants and contributions of cash and other assets as restricted support if they are received with donor 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 are reported in the statement of activities and changes in net assets as “*net assets released from restrictions.*”

# **INTERCHURCH MEDICAL ASSISTANCE, INC.**

## ***NOTES TO FINANCIAL STATEMENTS – (Continued)***

**June 30, 2011 and 2010**

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### ***INVESTMENTS***

IMA records its investments in mutual funds at fair value with the resulting gains and losses reported in the statement of activity and changes in net assets. The fair value of investments traded on a securities exchange is determined based on quoted market prices for these investments.

### ***ADVANCES TO COUNTRY OFFICES***

Advances to country offices primarily represent cash in foreign bank accounts that will be spent on program activities and are principally located in Democratic Republic of Congo, Tanzania, Haiti and South Sudan. Advances to country offices includes both cash advanced to country offices by headquarters and cash disbursed directly to country offices by donors.

### ***INVENTORY OF DONATED DRUGS AND MEDICAL SUPPLIES***

Inventory of donated drugs and medical supplies is valued at fair value using wholesale market or cost (replacement) approach, whichever is most appropriate for the donation based on quantities donated, their condition and utility for use at date of receipt.

Donated goods are relieved from inventory at the time of allocation of such goods to user agencies at values assigned on the date of receipt.

### ***FIXED ASSETS***

Office furniture and equipment, computer equipment and leasehold improvements are recorded at cost. Depreciation is provided over the estimated useful lives of 5 to 10 years on a straight-line basis. Equipment purchased through grants/contracts are expensed in the period purchased. Equipment is retained by IMA or returned to the grantor based upon the grant/contract.

### ***U.S. GOVERNMENT GRANTS***

IMA records revenue when expenditures are incurred under U.S. Government contracts.

### ***FUNCTIONAL EXPENSES***

Expenses are charged to program services based on direct expenditures incurred. Any program expenditures not directly chargeable have been allocated to a program or supporting services based on an analysis of personnel time for the related activities.

### ***RECLASSIFICATIONS***

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 presentation.

### ***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 IMA's audited financial statements for the year ended June 30, 2010, from which the summarized information was derived.

# INTERCHURCH MEDICAL ASSISTANCE, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2011 and 2010

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### (2) INVESTMENTS

Investments at June 30 consisted of the following:

	2011		2010	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Mutual Funds				
Equity	\$328,898	\$369,939	\$347,342	\$303,065
Bond	357,731	365,194	322,637	320,902
Real Estate	<u>12,467</u>	<u>22,826</u>	<u>14,143</u>	<u>18,294</u>
	<u>\$699,096</u>	<u>\$757,959</u>	<u>\$684,122</u>	<u>\$642,261</u>

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

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization 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 inactive 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 Organization'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.

All of IMA's investments as of June 30, 2011 and 2010 are valued based on Level 1 inputs.

# INTERCHURCH MEDICAL ASSISTANCE, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2011 and 2010

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### (3) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30 are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Various DR Congo Projects	\$ 283,477	\$ 160,331
Medicine Box/Clinic Box Projects	130,160	88,674
Lymphatic Filariasis Programs	19,389	-
Burkitt's Lymphoma Project	79,582	172,580
Diflucan Donation Program	-	63,346
World Bank – Lymphatic Filariasis Elimination Project	12,773	427,938
South Sudan Projects	3,362,111	2,577,723
Haiti Projects	391,281	198,576
Other Grant Projects	<u>208,684</u>	<u>109,379</u>
	<u>\$4,487,457</u>	<u>\$3,798,547</u>

Net assets for the year ended June 30, 2011 were released from donor restrictions by incurring expenses satisfying the restricted purposes, as follows:

Various DR Congo Projects	\$ 649,109
Medicine Box/Clinic Box Projects	100,657
Lymphatic Filariasis Programs	40,611
Burkitt's Lymphoma Project	217,284
Diflucan Donation Program	63,347
World Bank – Lymphatic Filariasis Elimination Project	333,325
South Sudan Projects	4,455,614
Haiti Projects	489,840
Other Grant Projects	<u>130,171</u>
	<u>\$6,479,958</u>

### (4) PENSION PLANS

Employees of IMA with at least one year of service are enrolled in a simplified employee pension plan administered by Merrill Lynch or another qualified institution. The contributions made on behalf of these employees are carried on an accumulation basis. Upon retirement, pension benefits are provided by the money-purchase method, that is, to the extent of each employee's accumulations. No actuarial valuation is needed to determine the required reserves for future pension benefits. Total pension costs were approximately \$164,700 and \$147,200 for the years ended June 30, 2011 and 2010, respectively.

In addition, IMA has a 403(b) plan for employee contributions. IMA does not contribute to this plan.



# INTERCHURCH MEDICAL ASSISTANCE, INC.

## *NOTES TO FINANCIAL STATEMENTS – (Continued)*

**June 30, 2011 and 2010**

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### **(5) COMMITMENTS**

IMA maintains a line-of-credit with a bank on which the maximum permitted outstanding balance is \$50,000. Principal is due on demand and interest is at the prime rate plus 1%. IMA had no balance outstanding as of June 30, 2011 and 2010. Under the line-of-credit agreement, all borrowings are secured by temporary investments. This line of credit was closed as of August 30, 2011. IMA opened a line-of-credit during 2011 on which the maximum permitted outstanding balance is \$250,000. Principal is due on demand and interest is at the daily LIBOR Rate Plus 3%. This line of credit expires on October 4, 2012. IMA had no balance outstanding as of June 30, 2011 under the new line-of-credit agreement. All borrowings are secured by long-term investments of IMA.