

**INTERCHURCH MEDICAL ASSISTANCE, INC.**

***SINGLE AUDIT REPORT***

**YEAR ENDED JUNE 30, 2013**

# INTERCHURCH MEDICAL ASSISTANCE, INC.

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# SECTION 1

**INTERCHURCH MEDICAL ASSISTANCE, INC.**

***FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT***

***(OMB-A-133 AUDIT)***

**JUNE 30, 2013**

# INTERCHURCH MEDICAL ASSISTANCE, INC.

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## **INDEPENDENT AUDITOR'S REPORT**

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

### ***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, 2013, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management 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 IMA as of June 30, 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.

**Board of Directors  
Interchurch Medical Assistance, Inc.**

***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The calculation of indirect rate and statement of indirect costs are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 June 5, 2014, 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.

***Report on Summarized Comparative Information***

We have previously audited IMA's 2012 financial statements, and our report dated March 1, 2013, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.



**Philadelphia, Pennsylvania  
June 5, 2014**

# INTERCHURCH MEDICAL ASSISTANCE, INC.

## STATEMENTS OF FINANCIAL POSITION

June 30, 2013 And 2012

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	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 10,408,172	\$ 2,137,492
Investments, at value ( <i>Note 2</i> )	822,382	762,995
Accounts receivable – U.S. Government	755,437	284,072
Accounts receivable, net	83,695	753,594
Interest receivable	1,000	1,396
Prepaid expenses and other assets	367,229	133,651
Project advances to subgrantees	1,941,087	840,328
Advances to country offices	1,161,228	1,055,487
Equipment and improvements (net of accumulated depreciation of \$431,989 in 2013 and \$409,061 in 2012)	<u>41,925</u>	<u>64,853</u>
	15,582,155	6,033,868
Inventory of donated drugs and medical supplies	<u>1,660,590</u>	<u>944,273</u>
<b>Total assets</b>	<u>\$ 17,242,745</u>	<u>\$ 6,978,141</u>
<b>LIABILITIES</b>		
Accounts payable and other accrued expenses	\$ 4,388,494	\$ 888,048
Deferred revenue	8,040,398	887,117
Deposits	<u>40,485</u>	<u>24,452</u>
<b>Total liabilities</b>	<u>12,469,377</u>	<u>1,799,617</u>
<b>NET ASSETS</b>		
Unrestricted		
General operating funds		
Undesignated	1,064,953	856,215
Designated	515,000	515,000
Unrealized appreciation of investments	65,936	41,295
Unallocated drugs and medical supplies	<u>1,660,590</u>	<u>944,273</u>
<b>Total unrestricted</b>	3,306,479	2,356,783
Temporarily restricted ( <i>Note 3</i> )	<u>1,466,889</u>	<u>2,821,741</u>
<b>Total net assets</b>	<u>4,773,368</u>	<u>5,178,524</u>
<b>Total liabilities and net assets</b>	<u>\$ 17,242,745</u>	<u>\$ 6,978,141</u>



# INTERCHURCH MEDICAL ASSISTANCE, INC.

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2013 With Summarized Information For 2012

	Unrestricted		Temporarily Restricted	Totals	
	General Operating Funds	Donated Drugs And Medical Supplies Inventory		2013	2012
<b>INCOME</b>					
Donated drugs and medical supplies (net of destruction in compliance with government regulations – \$22,507 in 2013 and \$172,378 in 2012)	\$ -	\$ 7,583,437	\$ -	\$ 7,583,437	\$ 100,288,577
Administrative support					
Members	13,850	-	-	13,850	4,122
Non-members	19,381	-	-	19,381	12,345
Purchase program	13,850	-	-	13,850	12,161
U.S. Government grants	12,857,083	-	-	12,857,083	12,738,795
Contributions and grants	22,816,350	-	5,627,506	28,443,856	6,986,990
Investment (loss) income	34,929	-	311	35,240	26,672
Medicine box income	-	-	23,660	23,660	91,413
Other	8,574	-	34,988	43,562	-
<b>Total</b>	<u>35,764,017</u>	<u>7,583,437</u>	<u>5,686,465</u>	<u>49,033,919</u>	<u>120,161,075</u>
Net assets released from restrictions ( <i>Note 3</i> )	7,041,317	-	(7,041,317)	-	-
<b>Total income</b>	<u>42,805,334</u>	<u>7,583,437</u>	<u>(1,354,852)</u>	<u>49,033,919</u>	<u>120,161,075</u>
<b>EXPENSES</b>					
<b>Program services</b>					
Assistance to overseas institutions of healthcare	38,799,772	6,867,120	-	45,666,892	126,416,818
<b>Supporting services</b>					
General administration	3,666,457	-	-	3,666,457	2,347,219
Promotion and interpretation	130,367	-	-	130,367	183,997
<b>Total supporting services</b>	<u>3,796,824</u>	<u>-</u>	<u>-</u>	<u>3,796,824</u>	<u>2,531,216</u>
<b>Total expenses</b>	<u>42,596,596</u>	<u>6,867,120</u>	<u>-</u>	<u>49,463,716</u>	<u>128,948,034</u>
<b>Excess (deficiency) of income over expenses</b>	208,738	716,317	(1,354,852)	(429,797)	(8,786,959)
<b>OTHER CHANGES</b>					
Unrealized gain (loss) on investments	24,641	-	-	24,641	(17,568)
<b>NET CHANGE IN NET ASSETS</b>	233,379	716,317	(1,354,852)	(405,156)	(8,804,527)
<b>NET ASSETS</b>					
Beginning of year	1,412,510	944,273	2,821,741	5,178,524	13,983,051
<b>End of year</b>	<u>\$ 1,645,889</u>	<u>\$ 1,660,590</u>	<u>\$ 1,466,889</u>	<u>\$ 4,773,368</u>	<u>\$ 5,178,524</u>

# INTERCHURCH MEDICAL ASSISTANCE, INC.

## STATEMENTS OF CASH FLOWS

Years Ended June 30, 2013 And 2012

	<u>2013</u>	<u>2012</u>
<i>Cash flows from operating activities</i>		
<i>Net change in net assets</i>	\$ (405,156)	\$ (8,804,527)
<i>Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities</i>		
Depreciation	22,928	38,221
Gain on sale of investments	(15,162)	(2,827)
Unrealized (gain) loss on investments	(24,641)	17,568
(Increase) decrease in		
Accounts receivable – U.S. Government	(471,365)	(142,919)
Accounts receivable	669,899	653,625
Interest receivable	396	(271)
Prepaid expenses and other assets	(233,578)	(54,711)
Project advances to subgrantees	(1,100,759)	127,257
Advances to country offices	(105,741)	(524,739)
Donated inventory	(716,317)	7,240,286
Increase (decrease) in		
Accounts payable and other accrued expense	3,500,446	269,614
Deferred revenue	7,153,281	371,190
Deposits	<u>16,033</u>	<u>(6,472)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>8,290,264</u>	<u>(818,705)</u>
<i>Cash flows from investing activities</i>		
Purchase of property equipment	-	(49,187)
Purchase of investments	(160,527)	(216,518)
Proceeds from sale of investments	<u>140,943</u>	<u>196,741</u>
<b>Net cash used in investing activities</b>	<u>(19,584)</u>	<u>(68,964)</u>
<b>Net Increase (decrease) in cash and cash equivalents</b>	8,270,680	(887,669)
<i>Cash and cash equivalents</i>		
Beginning of year	<u>2,137,492</u>	<u>3,025,161</u>
<b>End of year</b>	<u>\$ 10,408,172</u>	<u>\$ 2,137,492</u>

# INTERCHURCH MEDICAL ASSISTANCE, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013 And 2012

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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.

#### **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash and money market type investments.

#### **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 (2010 – 2012) or expected to be taken in IMA’s 2013 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.*”

#### **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.

# **INTERCHURCH MEDICAL ASSISTANCE, INC.**

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

**June 30, 2013 And 2012**

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### ***DONATED DRUGS AND MEDICAL SUPPLIES***

Pharmaceutical contributions are recorded at estimated fair value based upon pricing source inputs which considers wholesale prices and donor values on the date of receipt. During the year ended June 30, 2012, IMA received and distributed \$98,524,500 of the product Mectizan for the treatment of onchocerciasis. No Mectizan was received during 2013. In July, 2013, IMA received a shipment of Mectizan with a value of approximately \$35,000,000. This shipment was recorded in 2014.

Nonpharmaceutical contributions received by IMA have been valued at their estimated wholesale value as provided by the donor, or, in the absence of the donors' 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. The inventory is valued at wholesale values estimated by IMA. IMA believes that this approximates the lower of cost or market.

### ***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. Fixed assets are capitalized when the total cost of the asset exceeds \$5,000. 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.

### ***EXCHANGE TRANSACTIONS***

IMA receives grants from U.S. government agencies and certain foreign government agencies where there is a reciprocal benefit to each party. Under these transactions, IMA recognizes revenue when the related expenses are incurred. Amounts received in excess of expenses incurred are recorded as deferred revenue.

### ***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.

### ***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, 2012, from which the summarized information was derived.

### ***RECLASSIFICATIONS***

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

# INTERCHURCH MEDICAL ASSISTANCE, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2013 And 2012

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### (2) INVESTMENTS

Investments at June 30 consisted of the following:

	2013		2012	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Mutual Funds				
Equity	\$ 370,252	\$ 435,497	\$ 338,675	\$ 365,012
Bond	349,007	346,268	311,554	319,705
Commodities	29,790	23,930	44,830	38,579
Real Estate	<u>7,397</u>	<u>16,687</u>	<u>26,641</u>	<u>39,699</u>
	<u>\$ 756,446</u>	<u>\$ 822,382</u>	<u>\$ 721,700</u>	<u>\$ 762,995</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 IMA 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 IMA'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, 2013 and 2012 are valued based on Level 1 inputs. There have been no transfers between Level 1 and Level 2 occurring the years ended 2013 and 2012.

# INTERCHURCH MEDICAL ASSISTANCE, INC.

## NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2013 And 2012

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### (3) TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2013</u>	<u>2012</u>
Various DR Congo Projects	\$ 897,701	\$ 269,154
Medicine Box/Clinic Box Projects	59,699	96,493
Lymphatic Filariasis Programs	-	12,729
Burkitt's Lymphoma Project	113,221	150,282
World Bank – Lymphatic Filariasis Elimination Project	31,549	5,803
South Sudan Projects	277,085	1,810,805
Haiti Projects	42,476	280,732
Other Grant Projects	<u>45,158</u>	<u>195,743</u>
	<u>\$ 1,466,889</u>	<u>\$ 2,821,741</u>

Net assets for the year ended June 30, 2013 were released from donor restrictions by incurring expenses satisfying the restricted purposes, as follows:

Various DR Congo Projects	\$ 1,467,231
Medicine Box/Clinic Box Projects	101,492
Lymphatic Filariasis Programs	20,729
Burkitt's Lymphoma Project	72,789
World Bank – Lymphatic Filariasis Elimination Project	19,196
South Sudan Projects	4,744,852
Haiti Projects	416,514
Other Grant Projects	<u>198,514</u>
	<u>\$ 7,041,317</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 \$147,300 and \$140,800 for the years ended June 30, 2013 and 2012, respectively.

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

### (5) COMMITMENTS

IMA maintained a line-of-credit with a bank on which the maximum permitted outstanding balance was \$1,000,000. Principal was due on demand and interest was at the daily LIBOR Rate Plus 3%. This line of-credit was terminated and a new line-of-credit was obtained with the same bank for \$1,500,000 effective October 1, 2013. Accrued interest will be payable monthly at the daily LIBOR rate. This line of credit expires on May 30, 2014. The lines-of-credit are secured by substantially all of the assets of the organization. IMA had no balance outstanding as of June 30, 2013 and 2012.

# INTERCHURCH MEDICAL ASSISTANCE, INC.

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

**June 30, 2013 And 2012**

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### **(6) SUBSEQUENT EVENTS**

Subsequent events after the statement of financial position date through the date that the financial statements were available for issuance, June 5, 2014, have been evaluated in the preparation of the financial statements.

## **SUPPLEMENTAL INFORMATION**



# INTERCHURCH MEDICAL ASSISTANCE, INC.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Number*</u>	<u>Expenditures</u>
<b>UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID)</b>			
USHINDI Project – Overcoming Sexual and Gender Based Violence in Eastern DR Congo	98.001	623-A-10-00012-00	\$ 3,668,381
Increasing Access to Emergency Obstetrical Care in Upper Nile State	98.001	AID-OFDA-G-11-00236	324,775
Strengthening the Capacity of Sexual and Gender Based Violence (SGBV) Service Facilities	98.001	AID-OFDA-G-11-00142	66,080
Capacity Plus Project Passed-Through Intrahealth International	98.001	GPO-A-00-09-00006-0 Subagreement 0009-51	186,147
Tanzania Human Resource Capacity Project Passed-Through Intrahealth International	98.001	621-A-00-09-00002-00 Subagreement 2009-12	51,978
Neglected Tropical Diseases Project Passed-Through RTI International	98.001	GHS-A-00-06-0000-00	6,081,894
Malaria Control Program (MCP) Passed-Through Christian Social Services Commission	98.001	GHN-A-00-07-00012-00	<u>18,952</u>
<b>Total USAID Expenditures</b>			<u>10,398,207</u>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES (DHHS)</b>			
Local Partners Excel in Comprehensive HIV and AIDS Service Delivery “LEAD” Passed-Through Catholic Relief Services	93.266	IU2GP003236-1	<u>2,431,310</u>
<b>Total DHHS Expenditures</b>			<u>2,431,310</u>
<b>CENTERS FOR DISEASE CONTROL (CDC)</b>			
Advancing the Control and Elimination of Neglected Tropical Diseases	93.283	3U51GH000952-01W1	<u>27,566</u>
<b>Total CDC Expenditures</b>			<u>27,566</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 12,857,083</u>

\* AID/Subgrantor Grant Number

# **INTERCHURCH MEDICAL ASSISTANCE, INC.**

## ***NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

**Year Ended June 30, 2013**

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### **BASIS OF PRESENTATION**

The schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *“Audits of States, Local Governments, and Non-Profit Organizations.”* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the basic financial statements.

### **SUBRECIPIENTS**

Of the federal expenditures presented in the schedule, IMA provided \$2,943,136 of the federal awards to subrecipients.

# INTERCHURCH MEDICAL ASSISTANCE, INC.

## *CALCULATION OF INDIRECT COST RATE*

**Year Ended June 30, 2013**

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**1. Base**

Total direct costs less in-kind drugs and medical supplies donations plus promotion and interpretation (fund raising) costs.

**2. Costs**

Total direct costs per financial statements	\$ 45,666,892
Less in-kind drugs and medical supplies donations and Purchased drugs, medical supplies and equipment	(16,746,136)
Add promotion and interpretation costs	<u>130,367</u>
Total direct costs	<u>\$ 29,051,123</u>

**3. Indirect Cost Pool**

Total indirect costs (management and general)

**4. Indirect Costs**

Total indirect costs per financial statements	\$ 3,796,824
Less promotion and interpretation costs	<u>(130,367)</u>
	<u>\$ 3,666,457</u>

**5. Rate Calculation**

Total Indirect Costs =	$\frac{\$ 3,666,457}{\$ 29,051,123} = 12.62\%$
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# INTERCHURCH MEDICAL ASSISTANCE, INC.

## STATEMENT OF INDIRECT COSTS

Year Ended June 30, 2013

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Compensation, payroll taxes and related benefits	\$ 2,449,201
Insurance	25,293
Staff travel	365,978
Board operations	26,582
Office operations and rent	302,162
Computer services	109,716
Telephone and telecommunications	58,604
Professional development	18,411
Postage and miscellaneous freight	42,368
Professional fees	132,543
Publication and printing	41,284
Depreciation	6,532
Miscellaneous expenses	<u>87,783</u>
<b>Total indirect costs</b>	<b><u>\$ 3,666,457</u></b>
 <i>* Reconciliation with audit report</i>	
Total supporting services	\$ 3,796,824
Less promotion and interpretation classified as direct costs	<u>(130,367)</u>
<b>Total indirect costs</b>	<b><u>\$ 3,666,457</u></b>

# SECTION 2

**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**

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

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 (“IMA”) which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 5, 2014.

***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. We considered the deficiency described in the accompanying schedule of findings and questioned costs as 2013-1 to be a material weakness.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether IMA’s financial statements are free of 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 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 test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Board of Directors  
Interchurch Medical Assistance, Inc.  
Page Two**

***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 IMA'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.

*Tait, Weller & Baker LLP*

**Philadelphia, Pennsylvania  
June 5, 2014**

# SECTION 3



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

***Report on Compliance for Each Major Federal Program***

We have audited Interchurch Medical Assistance ("IMA") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of IMA's major federal programs for the year ended June 30, 2013. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB A-133 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 each of its major federal programs for the year ended June 30, 2013.

***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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



**Philadelphia, Pennsylvania  
June 5, 2014**

# SECTION 4

# INTERCHURCH MEDICAL ASSISTANCE, INC.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

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### SECTION I

#### Summary of Auditor's Results

1. An unmodified opinion was issued on the financial statements of Interchurch Medical Assistance, Inc., (“*IMA*”) as of and for the year ended June 30, 2013.
2. A material weakness was noted with respect to IMA’s internal control over financial reporting.
3. Our audit disclosed no instances of noncompliance which are material to the financial statements of IMA.
4. No significant deficiencies are reported with respect to IMA’s internal control over its major federal awards program.
5. An unmodified opinion was issued on compliance for the major program of IMA.
6. Our audit disclosed an audit finding which is required to be reported under Section .510(a).
7. The major programs of IMA are as follows:

<u>Federal Grant/Program Title</u>	<u>Federal CFDA Number</u>
<b>United States Agency for International Development</b>	
USHINDI Project – Overcoming Sexual and Gender Based in Eastern DR Congo	98.001
Increasing Access to Emergency Obstetrical Care in Upper Nile State	98.001
Strengthening the Capacity of Sexual and Gender Based Violence (SGBV) Service Facilities	98.001
Capacity Plus Project Passed-Through Intrahealth International	98.001
Tanzania Human Resource Capacity Project Passed-Through Intrahealth International	98.001
Neglected Tropical Diseases Project Passed-Through RTI International	98.001
Malaria Control Program (MCP) Passed-Through Christian Social Services Commission	98.001

8. The dollar threshold used to distinguish a Type A and Type B programs was \$385,712.
  9. IMA qualified as a low-risk auditee.
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# INTERCHURCH MEDICAL ASSISTANCE, INC.

## *SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (Continued)*

**Year Ended June 30, 2013**

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### **SECTION II**

#### **Findings Related to Financial Statements**

*Condition:* Funds are advanced from headquarters to the various country offices (DR Congo, Tanzania, Sudan, Haiti and Kenya) to fund activities. The country offices will report expenses back to headquarters and the advance balance will be reduced. The advance account balance for each country on headquarters' general ledger is to be reconciled to the books of the county office each month. The reconciliations received had variances due to activity not being recorded timely, unrecorded foreign currency gain/loss and other unidentified differences.

*Criteria:* Timely reconciliation and review procedures should be put in place for the advance accounts in order to ensure timely, accurate and complete financial reporting throughout the year.

*Cause:* The staff in the field needs additional training and more guidance on policies and procedures.

*Effect:* Because of the failure to reconcile on a timely basis and resolve material variances, financial reporting during the year may not be accurate. In addition, material adjustments were required at year-end once the advances were adequately reconciled.

*Auditors' Recommendation:* Procedures should be implemented or reinforced in the country office to ensure that all advance activity is reconciled, variances and other differences properly identified and recorded timely to ensure the completeness and accuracy of financial reporting.

*Views of Responsible Officials and Planned Corrective Actions:* IMA agrees with the recommendation and intends to implement field based training on the accounting system and policies and procedures in order to rectify the matter. In addition, IMA intends to implement an internal audit function in fiscal year 2015. The internal auditor will be tasked with performing this training.

### **SECTION III**

#### **Federal Award Findings and Questioned Costs**

None

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# SECTION 5

# **INTERCHURCH MEDICAL ASSISTANCE, INC.**

## ***PRIOR YEAR FINDINGS***

**Year Ended June 30, 2013**

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Our audit for the year ended June 30, 2012 disclosed no audit findings.

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