



INTERCHURCH MEDICAL ASSISTANCE, INC.

Financial Statements

For the Year Ended June 30, 2014

(With Summarized Financial Information for the Year Ended June 30, 2013)



**and
Report Thereon**



**Reports Required in Accordance with
Office of Management and Budget Circular A-133**

For the Year Ended June 30, 2014



INTERCHURCH MEDICAL ASSISTANCE, INC.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Interchurch Medical Assistance, Inc. (IMA), which comprise the statement of financial position as of June 30, 2014 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 the Interchurch Medical Assistance, Inc. as of June 30, 2014, 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.

Other Matters

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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.

Report on Summarized Comparative Information

IMA's 2013 financial statements were previously audited by other auditors whose report dated June 5, 2014, expressed an unmodified audit opinion on those audited financial statements in our report dated March 20, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2015, 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
March 20, 2015

INTERCHURCH MEDICAL ASSISTANCE, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2014
(With Summarized Financial Information as of June 30, 2013)

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 7,569,147	\$ 10,408,172
Investments	929,832	822,382
Accounts receivable, net	4,356,518	840,132
Prepaid expenses and other assets	318,800	367,229
Advances to subrecipients and country offices	12,954,263	3,102,315
Property and equipment, net	77,019	41,925
Inventory of donated medicine and medical supplies	1,059,966	1,660,590
TOTAL ASSETS	\$ 27,265,545	\$ 17,242,745
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 12,355,243	\$ 4,388,494
Deferred revenue	8,153,238	8,040,398
Deposits	176,059	40,485
TOTAL LIABILITIES	20,684,540	12,469,377
Net Assets		
Unrestricted		
Undesignated	4,781,203	2,791,479
Designated	515,000	515,000
Total unrestricted	5,296,203	3,306,479
Temporarily restricted	1,284,802	1,466,889
TOTAL NET ASSETS	6,581,005	4,773,368
TOTAL LIABILITIES AND NET ASSETS	\$ 27,265,545	\$ 17,242,745

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

INTERCHURCH MEDICAL ASSISTANCE, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

(With Summarized Financial Information for the Year Ended June 30, 2013)

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
OPERATING REVENUE AND SUPPORT				
Contributions and grants	\$ 63,357,617	\$ 2,507,508	\$ 65,865,125	\$ 28,443,856
Donated medicine and medical supplies	47,656,021	-	47,656,021	7,583,437
U.S. Government grants	14,801,663	-	14,801,663	12,857,083
Investment income	27,655	-	27,655	35,240
Medicine box income	-	32,034	32,034	23,660
Other income	30,262	-	30,262	90,643
Net assets released from restrictions:				
Satisfaction of purpose	2,721,629	(2,721,629)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	128,594,847	(182,087)	128,412,760	49,033,919
EXPENSES				
Program Services:				
Assistance to overseas institutions of healthcare	123,672,376	-	123,672,376	44,937,336
Total Program Services	123,672,376	-	123,672,376	44,937,336
Supporting Services:				
General and administrative	5,364,902	-	5,364,902	3,666,457
Fundraising and development	165,827	-	165,827	130,367
Total Supporting Services	5,530,729	-	5,530,729	3,796,824
TOTAL EXPENSES	129,203,105	-	129,203,105	48,734,160
CHANGE IN NET ASSETS FROM OPERATIONS	(608,258)	(182,087)	(790,345)	299,759
Nonoperating Activities:				
Foreign currency gains (losses)	2,522,397	-	2,522,397	(729,556)
Unrealized gains on investments	75,585	-	75,585	24,641
CHANGE IN NET ASSETS	1,989,724	(182,087)	1,807,637	(405,156)
NET ASSETS, BEGINNING OF YEAR	3,306,479	1,466,889	4,773,368	5,178,524
NET ASSETS, END OF YEAR	\$ 5,296,203	\$ 1,284,802	\$ 6,581,005	\$ 4,773,368

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, 2014
(With Summarized Financial Information for the Year Ended June 30, 2013)

	Assistance to Overseas Institutions of Healthcare	General and Administrative	Fundraising and Development	Total 2014	Total 2013
Grants	\$ 35,200,255	\$ -	\$ -	\$ 35,200,255	\$ 14,316,655
Procurement of equipment	15,894,436	20,480	-	15,914,916	6,303,662
Salaries and housing expense	6,261,473	2,619,166	56,972	8,937,611	6,489,796
Employee benefits	2,340,082	733,725	16,072	3,089,879	2,022,102
Medicine and medical supplies	5,034,021	6,632	-	5,040,653	2,864,213
Staff travel	4,160,253	617,894	3,999	4,782,146	3,579,721
Postage and freight	2,952,831	16,645	1,288	2,970,764	392,323
Office operation and rent	2,146,845	369,122	5,623	2,521,590	2,513,397
Professional fees	132,377	375,028	2,830	510,235	1,473,381
Media and marketing services	141,602	138,807	33,043	313,452	21,343
Shipping costs	294,034	-	-	294,034	187,218
Telephone and telecommunications	228,805	54,409	-	283,214	195,677
Miscellaneous expenses	217,033	43,109	895	261,037	431,645
Publication and printing	172,451	39,451	26,680	238,582	493,603
Insurance	101,618	106,891	-	208,509	128,245
Computer services	6,570	118,013	18,425	143,008	173,997
Bank fees	131,045	11,451	-	142,496	196,332
Board operations	-	41,736	-	41,736	26,582
Depreciation and amortization	-	24,474	-	24,474	22,928
Equipment maintenance	-	23,566	-	23,566	15,679
Professional development	-	4,303	-	4,303	18,541
TOTAL EXPENSES BEFORE DONATED INVENTORY SHIPPED	75,415,731	5,364,902	165,827	80,946,460	41,867,040
Donated medicine and medical supplies	48,256,645	-	-	48,256,645	6,867,120
TOTAL EXPENSES	\$ 123,672,376	\$ 5,364,902	\$ 165,827	\$ 129,203,105	\$ 48,734,160

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, 2014

(With Summarized Financial Information for the Year Ended June 30, 2013)

Increase (Decrease) in Cash and Cash Equivalents

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,807,637	\$ (405,156)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	24,474	22,928
Realized gains on investments	(13,913)	(15,162)
Unrealized gains on investments	(75,585)	(24,641)
Changes in assets and liabilities:		
Accounts receivable	(3,516,386)	198,930
Prepaid expenses and other assets	48,429	(233,578)
Advances to subrecipients and country offices	(9,851,948)	(1,206,500)
Donated inventory	600,624	(716,317)
Accounts payable and accrued expense	7,966,749	3,500,446
Deferred revenue	112,840	7,153,281
Deposits	135,574	16,033
	<u>(2,761,505)</u>	<u>8,290,264</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(46,644)	(160,527)
Proceeds from the sale of investments	28,692	140,943
Purchases of property and equipment	(59,568)	-
	<u>(77,520)</u>	<u>(19,584)</u>
NET CASH USED IN INVESTING ACTIVITIES		
	<u>(77,520)</u>	<u>(19,584)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,839,025)	8,270,680
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>10,408,172</u>	<u>2,137,492</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 7,569,147</u>	<u>\$ 10,408,172</u>

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, 2014

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.

The mission of IMA is to advance health and healing to vulnerable and marginalized people. IMA's activities are funded primarily through contracts, grants and contributions.

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 and Cash Equivalents

Cash and cash equivalents include cash and money market funds.

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.

Fair Value Measurements

Accounting standards define fair value and establish a framework for measuring fair value in accordance with GAAP and expand disclosures about fair value measurements 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. IMA's investments include only Level 1 inputs under this hierarchy. Level 1 inputs are unadjusted quoted prices in active markets for identical assets and liabilities.

Accounts Receivable

Accounts receivable represents amounts due from the U.S. Federal Government and other organizations for reimbursable costs incurred in accordance with grant and contract agreements. Management considers all amounts due to be fully collectible and due within one year. Accordingly, an allowance for doubtful accounts has not been established.

INTERCHURCH MEDICAL ASSISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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

Subcontracts and Grants 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 approval by IMA, IMA recognizes grant expense to the extent of allowable direct and indirect expenses incurred by the subrecipients. Any amount advanced by IMA in excess of expenses incurred by the subrecipients is 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.

Property and Equipment and Related Depreciation and Amortization

Furniture and equipment, vehicles, 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.

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, 2014, IMA received \$47,656,021 of donated medicine and medical supplies. 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.

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.
- Temporarily restricted net assets include gifts of cash and other assets received as restricted support if they are received with donor stipulations that limit the use of the donated assets.

Continued

INTERCHURCH MEDICAL ASSISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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

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 reimbursed, under these grants and contracts are reported as 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.

IMA recognizes unrestricted contributions as revenue in the period received or when the unconditional promise to give is made. The Organization 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.

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 gain from foreign currency transactions totaled \$2,522,397 for the year ended December 31, 2014, and is included in the accompanying statement of activities. The U.S. dollar is considered to be the functional and reporting currency of IMA.

Functional Allocation of Expenses

The costs of providing the programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of activities. 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.

Use of 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.

Measure of Operations

In its statement of activities, IMA includes in its definition of operations all revenue and support that is an integral part of its programs and supporting activities. Unrealized gains and losses on investments and foreign currency gains and losses are recognized as non-operating activities.

Continued

INTERCHURCH MEDICAL ASSISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

2. Investments

A summary of net investment income (loss) is as follows for the year ended June 30, 2014:

Interest and dividends	\$ 13,742
Net realized gains	13,913
Net unrealized gains	<u>75,585</u>
Investment Income	<u>\$ 103,240</u>

Investments consisted of mutual funds totaling \$929,832 as of June 30, 2014.

Included in investment income in the statement of activities is the interest earned on cash and cash equivalents of \$3,798 for the year ended June 30, 2014. During the year ended June 30, 2014, IMA paid investment management fees of \$6,294, which are included in general administrative expenses in the accompanying statement of activities.

3. Accounts Receivable

Accounts receivable represent unconditional promises to give and are recorded at their net realizable value. All receivables are expected to be collected within one year.

4. Fair Value Measurements

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.

INTERCHURCH MEDICAL ASSISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

4. Fair Value Measurements (continued)

The following table summarizes the assets measured at fair value on a recurring basis as of June 30, 2014:

	<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	\$ 448,871	\$ 448,871	\$ -	\$ -
Bond securities	389,318	389,318	-	-
Commodities	45,622	45,622	-	-
Real Estate	<u>46,021</u>	<u>46,021</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 929,832</u>	<u>\$ 929,832</u>	<u>\$ -</u>	<u>\$ -</u>

IMA used the following methods and significant assumptions to estimate fair value for assets recorded at fair value:

Mutual funds - valued using quoted prices in an active market

5. Property and Equipment

Property and equipment consist of the following as of June 30, 2014:

Vehicles	\$ 163,512
Furniture and equipment	220,525
Buildings and leasehold improvements	<u>149,436</u>
Total Property and Equipment	533,473
Less: Accumulated Depreciation and Amortization	<u>(456,454)</u>
Net Property and Equipment	<u>\$ 77,019</u>

Depreciation and amortization expense totaled \$24,474 for the year ended June 30, 2014.

INTERCHURCH MEDICAL ASSISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

6. Temporarily Restricted Net Assets

As of June 30, 2014, IMA's temporarily restricted net assets are available for the following purposes:

Various DR Congo projects	\$ 539,977
Medicine box/clinic box projects	57,402
Burkitt's lymphoma project	62,698
Lymphatic filariasis programs	113,785
South Sudan projects	301,810
Haiti projects	64,895
Other grant projects	<u>144,235</u>
Total	<u>\$ 1,284,802</u>

7. Commitments and Contingencies

Office of Management and Budget Circular A-133

IMA has instructed its independent auditor to audit its applicable federal programs for the year ended June 30, 2014, in compliance with Circular A-133, 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 fiscal year 2014 will not have a material effect on IMA's financial position as of June 30, 2014, 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 USAID audits costs related to U.S. Federal Government funds, in accordance with Circular A-122, issued by the OMB. The USAID has yet to audit the rates for the year ended June 30, 2014. Management believes that matters arising from the USAID's review of the independent auditor's reports for 2014 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. At June 30, 2014 IMA's cash balance exceeded the maximum limit insured by the FDIC by approximately \$4,872,000. The Organization monitors the credit worthiness of these institutions and has not experienced any historical credit losses on its cash and cash equivalents.

INTERCHURCH MEDICAL ASSISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

7. Commitments and Contingencies (continued)

Foreign Operations

IMA has field offices in various African countries and Haiti. 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.

Operating Lease

IMA entered into a noncancelable operating lease agreement for office space through December 31, 2018. Under the terms of the lease, rent increases by 2.5% each year. IMA is also obligated to pay its proportionate share of real estate taxes and excess operating costs.

Under accounting principles generally accepted in the United States of America, all lease incentives and all fixed rent increases, less any rental abatements and other concessions, are recognized on a straight-line basis over the term of the lease. The difference between rent paid and rent expense is reflected as deferred rent liability. A deferred rent liability of \$5,455 was recorded as of June 30, 2014 and is included in the accounts payable and the accrued expenses line in the accompanying statement of financial position. Rent expense totaled \$94,137 for the year ended June 30, 2014.

The future minimum rental payments required under this lease, as of June 30, 2014, are as follows:

For the Year Ending June 30,	
2015	\$ 251,061
2016	300,087
2017	307,859
2018	315,279
2019	<u>160,589</u>
Total	<u>\$ 1,334,875</u>

Line of Credit

IMA maintained a line of credit with a bank on which the maximum permitted outstanding balance was \$1,500,000. Principal was due on demand and interest was at the daily LIBOR Rate Plus 3.5%. Subsequent to year-end, this line of credit was terminated and a new line of credit was obtained with the same bank for \$2,500,000 effective October 31, 2014. Accrued interest will be payable monthly at the daily LIBOR rate plus 3.5%. This line of credit expires on May 31, 2015. Both lines of credit are secured by substantially all of the assets of the organization. IMA had no balances outstanding as of June 30, 2014.

INTERCHURCH MEDICAL ASSISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

8. Pension Plans

IMA sponsors a retirement program in accordance with Section 403(b) of the Internal Revenue Code (IRC). The employees are eligible to participate in the plan if they have been credited with 1,000 or more hours of service during any consecutive twelve-month period. Under the plan, eligible employees may make pretax contributions up to the limits established by IRC. All employer contributions are discretionary. Both employer and employee contributions are fully vested. Pension expense was approximately \$237,000 for the year ended June 30, 2014.

9. Income Taxes

Under Section 501(c)(3) of IRC, IMA is exempt from the payment of taxes on income other than net unrelated business income. For the year ended June 30, 2014, 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 Accounting Standards Codification (ASC) Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in the entities' 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 evaluation of uncertain tax positions for the year ended June 30, 2014, 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, 2014, the statute of limitations for tax years 2010 through 2012 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.

10. Prior Year Summarized Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total. 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 financial statements for the year ended June 30, 2013 from which the summarized information was derived.

11. Reclassifications

Certain amounts for 2013 have been reclassified to conform to the 2014 financial statement presentation.

INTERCHURCH MEDICAL ASSISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

12. Subsequent Events

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through March 20, 2015 the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, these 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 Trustees of the
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 the Interchurch Medical Assistance, Inc. (IMA), which comprise the statement of financial position as of June 30, 2014, 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 March 20, 2015.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness 2014-001.

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 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* and which are described in the accompanying schedule of findings and questioned costs as item 2014-001.

IMA's Response to Finding

IMA's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs and responses are included in the body of the report. IMA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Raffa, P.C.

Washington, DC
March 20, 2015



Certified Public Accountants

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

We have audited the Interchurch Medical Assistance, Inc (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 IMA's major federal programs for the year ended June 30, 2014. 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 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 Circular 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 its major federal programs for the year ended June 30, 2014.

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.



Raffa, P.C.

Washington, DC
March 20, 2015

INTERCHURCH MEDICAL ASSISTANCE, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014**

Federal Grantor/Pass-through Grantor/Program Title	Federal Grant Number	CFDA Number	Federal Expenditures
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID)			
Neglected Tropical Diseases – Envision <i>Passed-through from RTI International</i>	GHS-A-00-06-0000-00	98.001	\$ 8,130,384
USHINDI			
Overcoming Sexual and Gender Based Violence in Eastern DR Congo	AID 623-A-10-00012-00	98.001	3,260,735
South Sudan Obstetrical Care Services	AID-OFDA-G-14-00045	98.001	511,232
Capacity Plus <i>Passed-through from Intrahealth International</i>	GPO-A-00-09-00006-0	98.001	193,272
Eastern Congo Initiative (ECI) <i>Passed-through from New Venture Fund (NVF)</i>	AID-0AA-A010-00074	98.001	<u>(2,678)</u>
Total USAID			<u>12,092,945</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)			
Local Partners Excel in Comprehensive HIV and AIDS Service Delivery (LEAD) <i>Passed-through Catholic Relief Services</i>	1U2GP003236-1	93.266	2,358,672
Advancing the Control and Elimination of Neglected Tropical Diseases <i>Passed-through from Centers for Disease Control</i>	3U51GH000952-01W1	93.283	<u>350,046</u>
Total HHS			<u>2,708,718</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 14,801,663</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, 2014**

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.

2. Subrecipients

Of the federal expenditures presented in the accompanying schedule of expenditures of federal awards, IMA provided federal awards to subrecipients from the following grants:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
USHINDI		
Overcoming Sexual and Gender Based Violence in Eastern DR Congo	98.001	\$ 1,937,975
Neglected Tropical Diseases – Envision	98.001	2,699,562
Local Partners Excel in Comprehensive HIV and AIDS Service Delivery	93.266	<u>486,206</u>
Total		<u>\$ 5,123,743</u>

INTERCHURCH MEDICAL ASSISTANCE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

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 program(s):

- 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 Section 510(a) of OMB Circular A-133?

Yes No

Identification of Major Program(s):

<u>CFDA #</u>	<u>Program Title</u>
98.001	USAID Foreign Assistance for Programs Overseas
93.266	Health Systems Strengthening and HIV/AIDS Prevention, Care and Treatment under the President's Emergency Plan for AIDS Relief

Dollar threshold used to distinguish between Type A and Type B programs: \$ 447,810

Auditee qualified as a low-risk auditee? Yes No

INTERCHURCH MEDICAL ASSISTANCE, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30,2014**

B. FINDINGS – FINANCIAL STATEMENT AUDIT

Finding No. 2014-001

Condition: Accounts Receivable and Deferred Revenue account analyses and reconciliations were not accurate throughout the year and resulted in material year-end audit adjustments.

Criteria: Performing accurate analyses and reconciliations is part of maintaining an adequate internal control structure.

Effect: Management reports throughout the year may not represent accurate financial information.

Cause: While Accounts Receivable and Deferred Revenue account analyses and reconciliations were prepared for the audit, the analyses and reconciliations were not prepared timely throughout the year and required analysis and review to ensure accuracy.

Questioned Costs: None. All material adjustments to accurately reconcile accounts were recorded as of June 30, 2014.

Context: This condition existed during the audit for the year ended June 30, 2014. The required adjustments for the year ended June 30, 2014 related to federal and non-federal receivables, deferred revenue and net assets.

Recommendation: In order to improve the process of reporting financial information, we recommend that procedures be followed consistently to ensure that detailed analyses and reconciliations of all accounts are performed and reviewed on a monthly basis. All analyses and reconciliations should be reviewed in detail by an appropriate individual for accuracy and completeness as well as for unusual and/or significant old reconciling items which may require additional investigation and adjustments.

Views of Responsible
Officials and Planned

Corrective Action: IMA management agrees with the recommendation and had already replaced the finance staff responsible for allowing necessary and appropriate account analysis and reconciliations to lapse during the fiscal year. IMA now has monthly account analysis and reconciliations performed to verify accounts receivable, deferred revenue and net assets are properly stated throughout the year. Monthly account analysis and reconciliations are reviewed by the Director of Accounting and the Chief Financial Officer.

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

None required to be reported.