



INTERCHURCH MEDICAL ASSISTANCE, INC.

Financial Statements

For the Year Ended June 30, 2016

(With Summarized Financial Information for the Year Ended June 30, 2015)



**and
Report Thereon**



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

For the Year Ended June 30, 2016



INTERCHURCH MEDICAL ASSISTANCE, INC.

TABLE OF CONTENTS
For the Year Ended June 30, 2016

	<i>Page</i>
Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position.....	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows.....	6
Notes to Financial Statements	7-15
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16-17
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	18-19
Schedule of Expenditures of Federal Awards	20
Notes to Schedule of Expenditures of Federal Awards	21
Schedule of Findings and Questioned Costs	22



Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Interchurch Medical Assistance, Inc. (IMA), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Interchurch Medical Assistance, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Continued

Other Matters

Report on Summarized Comparative Information

We have previously audited IMA's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 17, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2016, on our consideration of IMA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IMA's internal control over financial reporting and compliance.



Raffa, P.C.

Washington, DC
October 21, 2016

INTERCHURCH MEDICAL ASSISTANCE, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2016
(With Summarized Financial Information as of June 30, 2015)

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 7,392,929	\$ 8,858,152
Investments	931,580	930,587
Accounts receivable, net	14,488,731	4,486,434
Prepaid expenses and other assets	380,097	384,260
Advances to subrecipients	7,735,591	12,721,276
Inventory of donated medicine and medical supplies	1,221,384	1,445,677
Property and equipment, net	1,174,833	95,465
TOTAL ASSETS	\$ 33,325,145	\$ 28,921,851
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 10,733,833	\$ 3,220,157
Deferred revenue	16,514,380	20,613,314
Deposits	15,907	291,231
Deferred rent and lease incentive	1,145,671	-
TOTAL LIABILITIES	28,409,791	24,124,702
Net Assets		
Unrestricted		
Undesignated	3,621,634	3,743,049
Designated	931,580	515,000
Total Unrestricted	4,553,214	4,258,049
Temporarily restricted	362,140	539,100
TOTAL NET ASSETS	4,915,354	4,797,149
TOTAL LIABILITIES AND NET ASSETS	\$ 33,325,145	\$ 28,921,851

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

INTERCHURCH MEDICAL ASSISTANCE, INC.

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016
(With Summarized Financial Information for the Year Ended June 30, 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
OPERATING REVENUE AND SUPPORT				
Contributions and grants	\$ 73,806,216	\$ 263,833	\$ 74,070,049	\$ 65,228,672
U.S. government grants	22,419,382	-	22,419,382	18,002,600
Donated medicine and medical supplies	3,647,734	-	3,647,734	81,076,839
Other income	238,768	-	238,768	113,315
Interest, dividends and realized gains (losses)	(25,081)	-	(25,081)	52,800
Net assets released from restrictions:				
Satisfaction of purpose restrictions	440,793	(440,793)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	100,527,812	(176,960)	100,350,852	164,474,226
OPERATING EXPENSES				
Program Services:				
Assistance to overseas institutions of healthcare	92,841,143	-	92,841,143	158,699,081
Total Program Services	92,841,143	-	92,841,143	158,699,081
Supporting Services:				
General and administrative	7,005,864	-	7,005,864	5,771,870
Fundraising and development	158,762	-	158,762	234,722
Total Supporting Services	7,164,626	-	7,164,626	6,006,592
TOTAL OPERATING EXPENSES	100,005,769	-	100,005,769	164,705,673
CHANGE IN NET ASSETS FROM OPERATIONS	522,043	(176,960)	345,083	(231,447)
Nonoperating Activities:				
Foreign currency losses	(177,957)	-	(177,957)	(1,500,700)
Loss on disposal of fixed assets	(79,580)	-	(79,580)	-
Unrealized gains (losses) on investments	30,659	-	30,659	(51,709)
CHANGE IN NET ASSETS	295,165	(176,960)	118,205	(1,783,856)
NET ASSETS, BEGINNING OF YEAR	4,258,049	539,100	4,797,149	6,581,005
NET ASSETS, END OF YEAR	\$ 4,553,214	\$ 362,140	\$ 4,915,354	\$ 4,797,149

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, 2016
(With Summarized Financial Information for the Year Ended June 30, 2015)

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total 2016</u>	<u>Total 2015</u>
	Assistance to Overseas Institutions of Healthcare	General and Administrative	Fundraising and Development		
Grants	\$ 37,982,354	\$ -	\$ -	\$ 37,982,354	\$ 40,020,884
Salaries and housing expense	11,654,120	3,451,257	65,612	15,170,989	9,735,461
Procurement of equipment	11,350,981	-	-	11,350,981	6,701,648
Staff travel	6,631,588	744,449	899	7,376,936	6,744,025
Medicine and medical supplies	4,829,431	1,198	-	4,830,629	5,447,595
Postage and freight	4,711,766	5,282	1,066	4,718,114	4,081,418
Employee benefits	2,817,236	849,148	12,627	3,679,011	3,579,891
Office operation and rent	2,531,822	671,035	1,837	3,204,694	2,157,734
Professional fees	2,355,225	488,503	21,603	2,865,331	2,520,463
Media and marketing services	1,472,879	28,176	17,691	1,518,746	577,278
Publication and printing	960,678	19,764	8,512	988,954	896,770
Miscellaneous expenses	625,371	157,496	-	782,867	351,553
Telephone and telecommunications	306,062	86,749	12	392,823	267,790
Bank fees	336,178	10,108	2,901	349,187	241,499
Insurance	151,537	86,603	-	238,140	138,228
Computer services	11,215	198,133	26,002	235,350	166,389
Shipping costs	135,295	1,275	-	136,570	270,079
Equipment maintenance	82,589	24,044	-	106,633	26,353
Professional development	22,192	58,500	-	80,692	27,116
Depreciation and amortization	-	71,463	-	71,463	24,332
Board operations	597	52,681	-	53,278	38,040
TOTAL EXPENSES BEFORE DONATED INVENTORY SHIPPED	88,969,116	7,005,864	158,762	96,133,742	84,014,546
Donated medicine and medical supplies	3,872,027	-	-	3,872,027	80,691,127
TOTAL EXPENSES	\$ 92,841,143	\$ 7,005,864	\$ 158,762	\$ 100,005,769	\$ 164,705,673

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, 2016
(With Summarized Financial Information for the Year Ended June 30, 2015)
Increase (Decrease) in Cash and Cash Equivalents

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 118,205	\$ (1,783,856)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	71,463	24,332
Realized losses (gains) on investments	51,873	(27,353)
Unrealized losses (gains) on investments	(30,659)	51,709
Provision for doubtful accounts	-	(6,712)
Loss on disposal of fixed assets	79,580	-
Changes in assets and liabilities:		
Accounts receivable	(10,002,297)	(123,204)
Prepaid expenses and other assets	4,163	(65,460)
Advances to subrecipients	4,985,685	232,987
Inventory of donated medicine and medical supplies	224,293	(385,711)
Accounts payable and accrued expense	7,513,676	(9,135,086)
Deferred revenue	(4,098,934)	12,460,076
Deposits	(275,324)	115,172
Deferred rent and lease incentive	19,996	-
	(1,338,280)	1,356,894
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(31,563)	(177,591)
Proceeds from the sale of investments	9,356	152,480
Purchases of property and equipment	(104,736)	(42,778)
	(126,943)	(67,889)
NET CASH USED IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under line of credit	3,460,000	300,000
Payments made to line of credit	(3,460,000)	(300,000)
	-	-
NET CASH PROVIDED BY FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,465,223)	1,289,005
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,858,152	7,569,147
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 7,392,929	\$ 8,858,152
NONCASH FINANCING AND INVESTING ACTIVITIES		
Leasehold improvements acquired in operating lease	\$ 1,125,675	\$ -
Deferred lease incentive included in operating lease	(1,125,675)	-
	\$ -	\$ -

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

INTERCHURCH MEDICAL ASSISTANCE, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

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 for 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 Equivalents

Cash equivalents include 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. The change in unrealized appreciation or depreciation of investments is included in unrealized gains (losses) on investments in the accompanying statement of activities. Realized gains and losses on sales of investments are computed on an average cost method and are recorded on the trade date of the transaction and included in interest, dividends and realized gains (losses) in the accompanying statement of activities.

Fair Value Measurements

Accounting standards define fair value, 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.

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.

INTERCHURCH MEDICAL ASSISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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

Advances to Subrecipients

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

Property and Equipment and Related Depreciation and Amortization

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

Donated Medicine and Medical Supplies

Pharmaceutical contributions are recorded at the estimated fair value based upon pricing source inputs which consider wholesale prices and donor values on the date of receipt. During the year ended June 30, 2016, IMA received \$3,647,734 of donated medicine and medical supplies. Non-pharmaceutical contributions received by IMA have been valued at their estimated wholesale value as provided by the donor, or, in the absence of the 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.

Classification of Net Assets

IMA's net assets are reported as follows:

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

INTERCHURCH MEDICAL ASSISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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 yet reimbursed under these grants and contracts are included in accounts receivable in the accompanying statement of financial position. Funds received, but not yet expended under grants and contracts are reflected as deferred revenue in the accompanying statement of financial position.

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

Functional Allocation of Expenses

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

Transactions in Foreign Currencies

IMA conducts many of its programs through field offices in foreign countries, and accordingly, transacts in the local currencies of those countries. These foreign currency transactions are translated into U.S. dollars at the appropriate exchange rates when each transaction is executed. The net loss from foreign currency transactions totaled \$177,957 for the year ended June 30, 2016, and is included as foreign currency gains or losses in the accompanying statement of activities. The U.S. dollar is considered to be the functional and reporting currency of IMA.

Use of Estimates

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

INTERCHURCH MEDICAL ASSISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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

Measure of Operations

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

2. Investments

Investments consisted of mutual funds totaling \$931,580 as of June 30, 2016.

A summary of net investment income is as follows for the year ended June 30, 2016:

Interest and dividends	\$ 34,028
Net realized losses	(51,873)
Investment fees	<u>(7,236)</u>
Subtotal	(25,081)
Net unrealized gains	<u>30,659</u>
Investment Income, Net	<u>\$ 5,578</u>

Included in interest and dividends is the interest earned on cash and cash equivalents of \$3,147 for the year ended June 30, 2016.

3. Fair Value Measurements

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

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

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

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

INTERCHURCH MEDICAL ASSISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

3. Fair Value Measurements (continued)

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.

The following table summarizes the assets measured at fair value on a recurring basis as of June 30, 2016:

	<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	\$ 471,317	\$ 471,317	\$ -	\$ -
Bond securities	385,189	385,189	-	-
Commodities	46,686	46,686	-	-
Real estate	<u>28,388</u>	<u>28,388</u>	-	-
Total Investments	<u>\$ 931,580</u>	<u>\$ 931,580</u>	<u>\$ -</u>	<u>\$ -</u>

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

4. Property and Equipment

Property and equipment consisted of the following as of June 30, 2016:

Leasehold improvements	1,230,411
Furniture and equipment	<u>220,525</u>
Total Property and Equipment	1,450,936
Less: Accumulated Depreciation and Amortization	<u>(276,103)</u>
Net Property and Equipment	<u>\$ 1,174,833</u>

Depreciation and amortization expense totaled \$71,463 for the year ended June 30, 2016.

INTERCHURCH MEDICAL ASSISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

5. Temporarily Restricted Net Assets

As of June 30, 2016, IMA's temporarily restricted net assets are available for the following purposes:

Tanzania grant projects	\$ 113,366
Lymphatic Filariasis projects	93,080
Medicine Box projects	85,111
Other grant projects	50,454
South Sudan grant projects	11,623
Haiti grant projects	<u>8,506</u>
Total	<u>\$ 362,140</u>

6. Commitments and Contingencies

Office of Management and Budget Uniform Guidance

IMA has instructed its independent auditor to audit its applicable federal programs for the year ended June 30, 2016, in compliance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), issued by the U.S. Office of Management and Budget (OMB). Until such audit is reviewed and accepted by the contracting or granting agencies, there exists a contingent liability to refund any amounts received in excess of allowable costs. Management believes that any matters arising from the reviews by the federal or state agencies of the independent auditor's reports for the year ended June 30, 2016, will not have a material effect on IMA's financial position as of June 30, 2016, or its results of operations for the year then ended.

Provisional Indirect Cost Rates

Billings under cost-reimbursable government agreements are calculated using provisional rates that permit the recovery of indirect costs. These rates are subject to audit on an annual basis by IMA's cognizant agency. The audit results in the negotiation and determination of the final indirect cost rates, which may create a liability for indirect cost recovery billed in excess of the actual rates or that may allow for additional billings for unbilled indirect costs. The U.S. Agency for International Development (USAID) audits costs of IMA related to U.S. federal government funds, in accordance with the Uniform Guidance, issued by the OMB. USAID has yet to audit IMA's rates for the year ended June 30, 2016. Management believes that matters arising from USAID's review of the independent auditor's reports for fiscal year 2016 will not have a material effect on IMA's financial position.

Concentration of Credit Risk

IMA maintains its cash and cash equivalents with commercial financial institutions, which aggregate balances may exceed, at times, the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of June 30, 2016, IMA's balances

INTERCHURCH MEDICAL ASSISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

6. Commitments and Contingencies (continued)

Concentration of Credit Risk (continued)

exceeded the maximum limit insured by the FDIC by approximately \$5,167,000. IMA monitors the creditworthiness of these institutions and has not experienced any historical credit losses on its cash and cash equivalents.

Foreign Operations

IMA has field offices in various foreign countries. The future results of IMA's programs could be adversely affected by a number of potential factors such as currency fluctuations or changes in the political climate. As of June 30, 2016, IMA had cash and cash equivalents in these countries totaling approximately \$1,486,000, representing approximately 4.5% of IMA's total assets.

Operating Lease

On November 12, 2015, IMA executed a noncancelable 11-year operating lease agreement for its headquarter offices in Washington, DC. The operating lease agreement contains provisions for annual increases in the base rent, operating expenses and real estate taxes expenses, as well as a rent abatement period at the beginning of the lease. An irrevocable standby letter of credit agreement, not to exceed \$112,643, was executed as a security deposit for the lease. The letter of credit does not accrue interest as long as IMA has no borrowings against the letter of credit; however, the available amount on the letter of credit reduces the amount that IMA can draw on the line of credit discussed in Note 6. There were no borrowings against the letter of credit for the year ended June 30, 2016. The letter of credit is set to expire on April 30, 2018, unless an extension is consented to by the bank in writing.

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

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

Rent expense totaled \$594,077 for the year ended June 30, 2016, and is included in office operation and rent in the accompanying statement of functional expenses.

INTERCHURCH MEDICAL ASSISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

6. Commitments and Contingencies (continued)

Operating Lease (continued)

The future minimum rental payments required under this lease, as of June 30, 2016, are as follows:

<u>For the Year Ending</u> <u>June 30,</u>	
2017	\$ 398,473
2018	697,081
2019	714,508
2020	732,371
2021	753,522
Thereafter	<u>4,470,432</u>
Total	<u>\$ 7,766,387</u>

Line of Credit

IMA maintains a line of credit with a bank for which the maximum permitted outstanding balance is \$5,000,000. Principal is due on demand, and interest was at the daily LIBOR Rate Plus 2.5%. The line of credit expires on April 30, 2017. There was no balance outstanding as of June 30, 2016, on the line of credit.

IMA received a revolving line of credit from a donor on November 11, 2014, concurrently with a pledge grant agreement. This revolving line of credit is lowered by any pledge payments received from the donor, and is not to exceed the maximum outstanding balance. As of June 30, 2016, the maximum permitted outstanding balance allowed on this revolving line of credit was \$500,000. Interest on the revolving line of credit is accrued daily from the date of the advance at a rate of 5%. Interest and principal are payable six-months after the disbursement of any advance. There was no balance outstanding on the revolving line of credit as of June 30, 2016.

Major Funders

During 2016, IMA recognized revenue of \$54,213,030 under contracts and grants with one agency of the United Kingdom (UK) government. Revenue recognized under these contracts and grants was approximately 56% of total operating revenue and support, excluding donated medicine and medical supplies, for the year ended June 30, 2016. If the level of funding by this agency was to be significantly curtailed, it might have an adverse impact on IMA's ability to carry out its programs.

7. Pension Plans

IMA sponsors a retirement plan in accordance with Section 403(b) of the Internal Revenue Code (the IRC). IMA's employees are eligible to participate in the plan if they have been credited with 1,000 or more hours of service during any consecutive 12-month period. Under

Continued

INTERCHURCH MEDICAL ASSISTANCE, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2016

7. Pension Plans (continued)

the plan, eligible employees may make pretax contributions up to the limits established by the IRC. All employer contributions are discretionary. The employer contributions are fully vested. Pension expense was \$247,899 for the year ended June 30, 2016.

8. Income Taxes

Under Section 501(c)(3) of the IRC, IMA is exempt from the payment of taxes on income other than net unrelated business income. For the year ended June 30, 2016, no provision for income taxes was made, as IMA had no net unrelated business income.

IMA follows the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in the entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. IMA performed an evaluation of uncertain tax positions for the year ended June 30, 2016, 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, 2016, the statute of limitations for tax fiscal years ended June 30, 2013, through June 30, 2015, remains open with the U.S. federal jurisdiction or various states and local jurisdictions in which IMA files tax returns. It is IMA's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

9. Prior Year Summarized Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with IMA's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

10. Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 21, 2016, the date the financial statements were available to be issued. There were no subsequent events that require recognition 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 Directors of
Interchurch Medical Assistance, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Interchurch Medical Assistance, Inc. (IMA), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 21, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered IMA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of IMA's internal control. Accordingly, we do not express an opinion on the effectiveness of IMA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Continued

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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read 'Raffa, P.C.', with a stylized flourish at the end.

Raffa, P.C.

Washington, DC
October 21, 2016



Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

We have audited Interchurch Medical Assistance, Inc.'s (IMA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of IMA's major federal programs for the year ended June 30, 2016. IMA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of IMA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about IMA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of IMA's compliance.

Opinion on Each Major Federal Program

In our opinion, IMA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of IMA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered IMA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of IMA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Raffa, P.C.

Washington, DC
October 21, 2016

INTERCHURCH MEDICAL ASSISTANCE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID)				
<i>Foreign Assistance for Programs Overseas</i>				
Overcoming Sexual and Gender Based Violence in Eastern DR Congo	98.001	N/A	\$ 1,235,325	\$ 1,955,148
IDP Emergency Medical Care Response for South Sudan	98.001	N/A	433,108	1,132,237
Neglected Tropical Diseases – Envision <i>Pass-through from RTI International</i>	98.001	GHS-A-00-06-0000-00	4,351,835	13,051,719
Capacity Plus <i>Pass-through from Intrahealth International</i>	98.001	GPO-A-00-09-00006-0	-	19,898
Rapid Response Fund: S Sudan and Abyei <i>Pass-through from IOM</i>	98.001	DP.1144.SS10.87.01.001	-	237,685
AIDS-Free Generation Project <i>Pass-through from JSI R&T</i>	98.001	AID-OAA-A-14-00046	-	73,882
Foreign Assistance for Programs Overseas for CFDA 98.001			6,020,268	16,470,569
<i>Global Development Alliance grants</i>				
Girls Rising ENGAGE	98.011	N/A	-	1,632
Total U.S. Agency for International Development			6,020,268	16,472,201
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)				
<i>Global HIV/AIDS Program</i>				
Local Partners Excel in Comprehensive HIV and AIDS Service Delivery (LEAD) <i>Pass-through from Catholic Relief Services</i>	93.266	1U2GP003236-1	-	1,790,371
<i>CDC Investigations and Technical Assistance</i>				
Advancing the Control and Elimination of Neglected Tropical Diseases <i>Pass-through from Centers for Disease Control</i>	93.283	3U51GH000952-01W1	-	50,736
<i>Global AIDS Program</i>				
Cervical Cancer Prevention (CECAP) Intervention in Mwanza & Geita Regions <i>Pass-through from Catholic Relief Services</i>	93.067	5U2GPS003003-05	-	85,949
Total U.S. Department of Health and Human Services			-	1,927,056
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 6,020,268	\$ 18,399,257

See accompanying notes to this schedule.

INTERCHURCH MEDICAL ASSISTANCE, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

1. Summary of Significant Accounting Policies

Basis of Accounting

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

Cost Principles

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

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

Expenditures per schedule of expenditures of federal awards	\$ 18,399,257
Add: Federal contracts	<u>4,020,125</u>
U.S. Government Grants Revenue Reported on the Statement of Activities	<u>\$22,419,382</u>

INTERCHURCH MEDICAL ASSISTANCE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

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 2 CFR, 200 516(a)?

Yes No

Identification of Major Program(s):

<u>CFDA #</u>	<u>Program Title</u>
98.001	USAID Foreign Assistance for Programs Overseas

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

Auditee qualified as a low-risk auditee? Yes No

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None required to be reported.

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

None required to be reported.