



**INTERCHURCH MEDICAL ASSISTANCE, INC.
AND AFFILIATE**

**Consolidated Financial Statements and
Supplementary Information**

For the Three Months Ended September 30, 2018



**and
Report Thereon**



**Reports Required in Accordance with
Uniform Guidance**

For the Three Months Ended September 30, 2018



INTERCHURCH MEDICAL ASSISTANCE, INC. AND AFFILIATE

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INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Interchurch Medical Assistance, Inc. (the Organization) and Affiliate (collectively referred to as IMA), which comprise the consolidated statement of financial position as of September 30, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the three months then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated 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 auditors' 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.

Continued

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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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Interchurch Medical Assistance, Inc. and Affiliate as of September 30, 2018, and the changes in its net assets and its cash flows for the three months then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information is presented for purposes of additional analysis and it is not a required part of the consolidated financial statements. 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 April 12, 2019, 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 solely 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 the effectiveness of IMA's 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.

Marcum LLP

Washington, DC

April 12, 2019

INTERCHURCH MEDICAL ASSISTANCE, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

September 30, 2018

ASSETS

Cash and cash equivalents	\$ 10,237,664
Investments	1,069,097
Accounts receivable	11,445,393
Prepaid expenses and other assets	517,973
Advances to subrecipients	7,194,701
Property and equipment, net	<u>919,072</u>

TOTAL ASSETS \$ 31,383,900

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 5,562,357
Deferred revenue	16,478,606
Deposits	25,013
Deferred rent and lease incentive	<u>1,382,904</u>

TOTAL LIABILITIES 23,448,880

Net Assets

Unrestricted	
Undesignated	6,502,305
Designated	<u>1,069,097</u>

Total Unrestricted 7,571,402

Temporarily restricted	<u>363,618</u>
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TOTAL NET ASSETS 7,935,020

TOTAL LIABILITIES AND NET ASSETS \$ 31,383,900

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

INTERCHURCH MEDICAL ASSISTANCE, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES
For the Three Months Ended September 30, 2018

	Unrestricted	Temporarily Restricted	Total
OPERATING REVENUE AND SUPPORT			
Contributions and grants	\$ 7,893,762	\$ 26,128	\$ 7,919,890
U.S. government grants and contracts	6,770,935	-	6,770,935
Other income	18,780	-	18,780
Interest and dividends, net	5,571	-	5,571
Net assets released from restrictions:			
Satisfaction of purpose restrictions	61,086	(61,086)	-
	<u>14,750,134</u>	<u>(34,958)</u>	<u>14,715,176</u>
TOTAL OPERATING REVENUE AND SUPPORT			
OPERATING EXPENSES			
Program Service:			
Assistance to overseas institutions of healthcare	12,744,320	-	12,744,320
Total Program Service	<u>12,744,320</u>	<u>-</u>	<u>12,744,320</u>
Supporting Services:			
General and administrative	2,090,914	-	2,090,914
Fundraising and development	39,026	-	39,026
Total Supporting Services	<u>2,129,940</u>	<u>-</u>	<u>2,129,940</u>
TOTAL OPERATING EXPENSES	<u>14,874,260</u>	<u>-</u>	<u>14,874,260</u>
Change in net assets from operations	(124,126)	(34,958)	(159,084)
Nonoperating Activities:			
Foreign currency gains	17,778	-	17,778
Unrealized gains on investments	14,942	-	14,942
CHANGE IN NET ASSETS	<u>(91,406)</u>	<u>(34,958)</u>	<u>(126,364)</u>
NET ASSETS, BEGINNING OF PERIOD	<u>7,662,808</u>	<u>398,576</u>	<u>8,061,384</u>
NET ASSETS, END OF PERIOD	<u>\$ 7,571,402</u>	<u>\$ 363,618</u>	<u>\$ 7,935,020</u>

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

INTERCHURCH MEDICAL ASSISTANCE, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Three Months Ended September 30, 2018

	<u>Program Service</u>	<u>Supporting Services</u>		
	Assistance to Overseas Institutions of Healthcare	General and Administrative	Fundraising and Development	<u>Total</u>
Program and subgrantee assistance	\$ 6,307,477	\$ -	\$ -	\$ 6,307,477
Salaries and related benefits	3,651,639	1,082,040	22,397	4,756,076
Office operation and occupancy	1,116,189	439,687	13,634	1,569,510
Staff travel	865,527	208,793	245	1,074,565
Shipping and freight	250,920	-	2,750	253,670
Professional fees	521,800	323,278	-	845,078
Publication and printing	30,768	8,762	-	39,530
Depreciation and amortization	-	28,354	-	28,354
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENSES	<u>\$ 12,744,320</u>	<u>\$ 2,090,914</u>	<u>\$ 39,026</u>	<u>\$ 14,874,260</u>

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

INTERCHURCH MEDICAL ASSISTANCE, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Three Months Ended September 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (126,364)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	28,354
Unrealized gains on investments	(14,942)
Changes in assets and liabilities:	
Accounts receivable	1,504,412
Prepaid expenses and other assets	21,409
Advances to subrecipients	(36,343)
Accounts payable and accrued expense	(3,890,266)
Deferred revenue	1,110,093
Deposits	(26,568)
Deferred rent and lease incentive	81,258
	<u>81,258</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(1,348,957)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	<u>(3,589)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(3,589)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,352,546)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>11,590,210</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 10,237,664</u>

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

INTERCHURCH MEDICAL ASSISTANCE, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Three Months Ended September 30, 2018

1. Organization and Summary of Significant Accounting Policies

Organization

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

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

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

IMA Innovations is a charitable organization that seeks to develop projects and initiatives to solve public health crises around the world. IMA Innovations will work in conjunction with the Organization, testing and implementing programs on behalf of the Organization, to achieve better health outcomes for people in developing and emergency settings, specifically in Asia and Africa. IMA Innovations is a center where innovative public health and allied programs can be conceived, tested and implemented on behalf of the Organization. IMA Innovations will pursue creative projects that expand and refine the agency's public health programming while exploring future areas of work. IMA Innovations is to be recognized by the Internal Revenue Services as an organization exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code (the IRC). IMA Innovations was incorporated in April 2018 in the District of Columbia.

Organizational Excellence

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

Stewardship and Accountability

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

Empowering Partnerships

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

INTERCHURCH MEDICAL ASSISTANCE, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Three Months Ended September 30, 2018

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

Organization (continued)

Serving Vulnerable People and Populations

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

Principles of Consolidation

The consolidated financial statements include the accounts of the Organization and IMA Innovations (collectively referred to as IMA). The Organization and IMA Innovations have been consolidated due to the presence of common control and economic interest, as required under accounting principles generally accepted in the United States of America (GAAP). All significant intercompany balances and transactions have been eliminated in the consolidation.

Basis of Presentation

The accompanying consolidated financial statements are presented on the accrual basis of accounting in accordance GAAP. Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

IMA changed its fiscal year-end from June 30 to September 30; as a result, only three months of activity is reported in the accompanying consolidated statement of activities from the period July 1, 2018, to September 30, 2018.

Cash Equivalents

Cash equivalents include money market funds.

Investments

Investments consist of mutual funds and cash and cash equivalents held for investment. These investments are recorded in the accompanying consolidated 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 on investments in the accompanying consolidated statement of activities.

Fair Value Measurement

Accounting standards define fair value, establish a framework for measuring fair value in accordance with GAAP, and expand disclosures about fair value measurement for those assets and liabilities that are measured at fair value on a recurring basis. Accounting standards determine fair value using assumptions that market participants would use to

INTERCHURCH MEDICAL ASSISTANCE, INC. AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months Ended September 30, 2018**

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

Fair Value Measurement (continued)

determine the price of the asset or liability, as opposed to measurements determined based upon information specific to the entity holding those assets and liabilities. To determine those market participant assumptions, accounting standards established a fair value hierarchy of inputs that the entity must consider, including both independent market data inputs and the entity's own assumptions about the market participant assumptions.

Accounts Receivable

Accounts receivable represent amounts due from the federal government and other organizations for reimbursable costs incurred in accordance with grant and contract agreements. Accounts receivable are reported net of an allowance for doubtful accounts. The allowance is based on historical collection experience and management's review of the current status of accounts receivable. Management considers all amounts due within one year and has not recorded an allowance for doubtful accounts as of September 30, 2018.

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 information by the subrecipients detailing the amount of funds expended under these grant agreements and upon approval by IMA, IMA recognizes program and subgrantee assistance 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 consolidated 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 consolidated 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 10 years for office furniture and equipment and program equipment. 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 property and equipment.

INTERCHURCH MEDICAL ASSISTANCE, INC. AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months Ended September 30, 2018**

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

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. Designated funds represent amounts to be used as a reserve fund for program development.
- Temporarily restricted net assets are specifically restricted by donors for various purposes or future time periods.

Revenue Recognition

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

IMA recognizes unrestricted contributions as revenue in the period in which they are received or when the unconditional promise to give is made. IMA reports contributions as temporarily restricted support if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of a restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated 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 consolidated 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 gain from foreign currency transactions totaled \$17,778 for the three months ended September 30, 2018, and is included as foreign currency gains in the accompanying consolidated statement of activities. The U.S. dollar is considered to be the functional and reporting currency of IMA.

INTERCHURCH MEDICAL ASSISTANCE, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Three Months Ended September 30, 2018

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

Use of Estimates

In preparing consolidated 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 consolidated financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Measure of Operations

IMA considers unrealized gains and losses on investments and foreign currency transaction gains and losses to be nonoperating activities in nature.

2. Investments

Investments consisted of mutual funds and cash and cash equivalents held for investment totaling \$1,069,097 as of September 30, 2018.

A summary of net investment income is as follows for the three months ended September 30, 2018:

Interest and dividends	\$ 7,431
Investment fees	<u>(1,860)</u>
Interest and Dividends, Net	5,571
Net unrealized gains	<u>14,942</u>
Investment Income, Net	<u>\$ 20,513</u>

3. Fair Value Measurement

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

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

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

INTERCHURCH MEDICAL ASSISTANCE, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months Ended September 30, 2018

3. Fair Value Measurement (continued)

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

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

The following table summarizes IMA's assets measured at fair value on a recurring basis as of September 30, 2018:

	<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	\$ 557,327	\$ 557,327	\$ -	\$ -
Bond securities	451,191	451,191	-	-
Commodities	25,814	25,814	-	-
Real estate	<u>31,530</u>	<u>31,530</u>	<u>-</u>	<u>-</u>
Total Mutual Funds	1,065,862	<u>\$ 1,065,862</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and cash equivalents	<u>3,235</u>			
Total Investments	<u>\$ 1,069,097</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 September 30, 2018:

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>(531,864)</u>
Property and Equipment, Net	<u>\$ 919,072</u>

Continued

INTERCHURCH MEDICAL ASSISTANCE, INC. AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months Ended September 30, 2018**

4. Property and Equipment (continued)

Depreciation and amortization expense totaled \$28,354 for the three months ended September 30, 2018.

5. Temporarily Restricted Net Assets

As of September 30, 2018, IMA's temporarily restricted net assets were available for the following purposes:

Tanzania grant projects	\$ 84,869
Lymphatic Filariasis projects	84,049
Safe Motherhood Kits	66,889
Medicine Box projects	46,306
South Sudan grant projects	38,766
DRC grant projects	42,696
Haiti grant projects	<u>43</u>
Total Temporarily Restricted Net Assets	<u>\$ 363,618</u>

6. Commitments and Contingencies

Compliance Audit

IMA has received federal grants that are subject to review, audit and adjustment by various federal agencies for qualified expenses charged to the grants. Such audits could lead to requests for reimbursement to the federal agencies for any expenditures or claims disallowed under the terms of the agreements. The amount of expenditures which may be disallowed by the federal agencies cannot be determined at this time although IMA expects such amounts, if any, to be insignificant.

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 September 30, 2018, IMA's balances exceeded the maximum limit insured by the FDIC by approximately \$7,738,000.

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 September 30, 2018, IMA had cash and cash equivalents in these countries totaling \$1,982,849, representing approximately 6.3% of IMA's total assets.

INTERCHURCH MEDICAL ASSISTANCE, INC. AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months Ended September 30, 2018**

6. Commitments and Contingencies (continued)

Operating Lease

On November 12, 2015, IMA executed a noncancelable 11-year operating lease agreement for its headquarter offices in Washington, D.C. The operating lease agreement contains provisions for annual increases in the base rent, operating expenses and real estate tax expenses, as well as a rent abatement period at the beginning of the lease. An irrevocable standby letter of credit agreement, not to exceed \$112,643, was executed as a security deposit for the lease. The letter of credit does not accrue interest as long as IMA has no borrowings against the letter of credit; however, the available amount on the letter of credit reduces the amount that IMA can draw on the line of credit discussed below. There were no borrowings against the letter of credit for the three months ended September 30, 2018. The letter of credit is set to expire on April 30, 2019, 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 consolidated statement of financial position.

Rent expense totaled \$157,859 for the three months ended September 30, 2018, and is included in office operation and occupancy in the accompanying consolidated statement of functional expenses. This amount includes rent expenses for leases in foreign offices, which either are renewed on a month-to-month basis or expire within one year.

The future minimum rental payments required under this lease, as of September 30, 2018, were as follows:

<u>For the Year Ending September 30,</u>	
2019	\$ 718,946
2020	736,920
2021	761,027
2022	785,736
2023	805,380
Thereafter	<u>2,685,307</u>
Total	<u>\$ 6,493,316</u>

Continued

INTERCHURCH MEDICAL ASSISTANCE, INC. AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Three Months Ended September 30, 2018**

6. Commitments and Contingencies (continued)

Line of Credit

IMA maintains a line of credit with a bank for which the maximum permitted outstanding balance is \$5,000,000. Principal is due on demand, and interest was at the daily London Interbank Offered Rate plus 2.5%. The interest rate as of September 30, 2018, was 4.67%.

Subsequent to year-end, the line of credit was renewed through April 30, 2019. There was no balance outstanding as of September 30, 2018, 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 September 30, 2018, the maximum permitted outstanding balance allowed on this revolving line of credit was \$250,000. Interest on the revolving line of credit is accrued daily from the date of the advance at a rate of 5%. Interest and principal are payable six months after the disbursement of any advance. There was no balance outstanding on the revolving line of credit as of September 30, 2018.

Major Funders

For the three months ended September 30, 2018, IMA recognized revenue of \$6,441,841 under contracts and grants with one agency of the United Kingdom government. Revenue recognized under these contracts and grants was approximately 44% of total operating revenue and support for the three months ended September 30, 2018. If the level of funding by this agency was to be significantly curtailed, it might have an adverse impact on IMA's ability to carry out its programs.

7. Pension Plan

IMA sponsors a retirement plan in accordance with Section 403(b) of the IRC. IMA's employees are eligible to participate in the plan if they have been credited with 1,000 or more hours of service during any consecutive 12-month period. Under the plan, eligible employees may make pretax contributions up to the limits established by the IRC. All employer contributions are discretionary. The employer contributions are fully vested. Pension expense was \$65,581 for the three months ended September 30, 2018.

8. Income Taxes

Under Section 501(c)(3) of the IRC, the Organization and IMA Innovations are exempt from the payment of taxes on income other than net unrelated business income. For the three months ended September 30, 2018, no provision for income taxes was made, as IMA had no significant net unrelated business income.

INTERCHURCH MEDICAL ASSISTANCE, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Three Months Ended September 30, 2018

8. Income Taxes (continued)

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 consolidated 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 uncertainty in income taxes for the three months ended September 30, 2018, and determined that there were no matters that would require recognition in the consolidated financial statements or that may have any effect on its tax-exempt status. As of September 30, 2018, the statute of limitations for tax fiscal years 2015 through 2017 remained open with the U.S. federal jurisdiction or various states and local jurisdictions in which IMA files tax returns; however, there are currently no tax examinations in progress. It is IMA's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax or interest expense.

9. Subsequent Events

In preparing these consolidated financial statements, management has evaluated events and transactions for potential recognition or disclosure through April 12, 2019, the date the consolidated financial statements were available to be issued.

On October 15, 2018, IMA signed a master agreement and plan of merger with Lutheran World Relief, Inc. (LWR). Per the agreement, both organizations wish to combine to form a faith-based international relief and development organization, rooted in the Lutheran tradition and ecumenically connected with others in focusing on improving health and livelihoods in complex environments and helping people lift themselves out of extreme poverty by ministering to the well-being of the whole person and providing humanitarian assistance through a two-step process of (i) LWR becoming the sole member of IMA to facilitate the coordination of activities and to implement opportunities for integration in furtherance of cost efficiencies and greater programmatic impact, and (ii) subject to approval of the New York Attorney General and the other conditions set forth herein, engaging in a merger of LWR with IMA.

Except as disclosed in the paragraph above and Note 6 in relation to the extension of the line of credit, there were no subsequent events identified which are required to be disclosed in these consolidated financial statements.

SUPPLEMENTARY INFORMATION

INTERCHURCH MEDICAL ASSISTANCE, INC. AND AFFILIATE

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

September 30, 2018

	Interchurch Medical Assistance, Inc	IMA Innovations	Eliminations	Total
ASSETS				
Cash and cash equivalents	\$ 9,474,533	\$ 763,131	\$ -	\$ 10,237,664
Investments	1,069,097	-	-	1,069,097
Accounts receivable	11,399,035	50,114	(3,756)	11,445,393
Prepaid expenses and other assets	517,973	-	-	517,973
Advances to subrecipients	7,194,701	-	-	7,194,701
Property and equipment, net	919,072	-	-	919,072
	<u>\$ 30,574,411</u>	<u>\$ 813,245</u>	<u>\$ (3,756)</u>	<u>\$ 31,383,900</u>
TOTAL ASSETS				
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	\$ 5,527,871	\$ 38,242	\$ (3,756)	\$ 5,562,357
Deferred revenue	15,704,309	774,297	-	16,478,606
Deposits	25,013	-	-	25,013
Deferred rent and lease incentive	1,382,904	-	-	1,382,904
	<u>22,640,097</u>	<u>812,539</u>	<u>(3,756)</u>	<u>23,448,880</u>
TOTAL LIABILITIES				
Net Assets				
Unrestricted				
Undesignated	6,501,599	706	-	6,502,305
Designated	1,069,097	-	-	1,069,097
	<u>7,570,696</u>	<u>706</u>	<u>-</u>	<u>7,571,402</u>
Total Unrestricted				
Temporarily restricted	363,618	-	-	363,618
	<u>363,618</u>	<u>-</u>	<u>-</u>	<u>363,618</u>
TOTAL NET ASSETS	<u>7,934,314</u>	<u>706</u>	<u>-</u>	<u>7,935,020</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 30,574,411</u>	<u>\$ 813,245</u>	<u>\$ (3,756)</u>	<u>\$ 31,383,900</u>

See independent auditors' report on supplementary information.

INTERCHURCH MEDICAL ASSISTANCE, INC. AND AFFILIATE

**CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Three Months Ended September 30, 2018**

	Interchurch Medical Assistance, Inc	IMA Innovations	Eliminations	Total
OPERATING REVENUE AND SUPPORT				
Contributions and grants	\$ 7,840,300	\$ 79,590	\$ -	\$ 7,919,890
U.S. government grants and contracts	6,770,935	-	-	6,770,935
Other income	18,780	-	-	18,780
Interest and dividends, net	5,571	-	-	5,571
	<u>14,635,586</u>	<u>79,590</u>	<u>-</u>	<u>14,715,176</u>
TOTAL OPERATING REVENUE AND SUPPORT				
	<u>14,635,586</u>	<u>79,590</u>	<u>-</u>	<u>14,715,176</u>
OPERATING EXPENSES				
Program Service:				
Assistance to overseas institutions of healthcare	12,669,192	75,128	-	12,744,320
	<u>12,669,192</u>	<u>75,128</u>	<u>-</u>	<u>12,744,320</u>
Total Program Services	<u>12,669,192</u>	<u>75,128</u>	<u>-</u>	<u>12,744,320</u>
Supporting Services:				
General and administrative	2,087,158	3,756	-	2,090,914
Fundraising and development	39,026	-	-	39,026
	<u>2,126,184</u>	<u>3,756</u>	<u>-</u>	<u>2,129,940</u>
Total Supporting Services	<u>2,126,184</u>	<u>3,756</u>	<u>-</u>	<u>2,129,940</u>
TOTAL OPERATING EXPENSES	<u>14,795,376</u>	<u>78,884</u>	<u>-</u>	<u>14,874,260</u>
Change in net assets from operations	(159,790)	706	-	(159,084)
Nonoperating Activities:				
Foreign currency gains	17,778	-	-	17,778
Unrealized gains on investments	14,942	-	-	14,942
	<u>(127,070)</u>	<u>706</u>	<u>-</u>	<u>(126,364)</u>
CHANGE IN NET ASSETS				
	<u>(127,070)</u>	<u>706</u>	<u>-</u>	<u>(126,364)</u>
NET ASSETS, BEGINNING OF PERIOD	<u>8,061,384</u>	<u>-</u>	<u>-</u>	<u>8,061,384</u>
NET ASSETS, END OF PERIOD	<u>\$ 7,934,314</u>	<u>\$ 706</u>	<u>\$ -</u>	<u>\$ 7,935,020</u>

See independent auditors' report on supplementary information.

INTERCHURCH MEDICAL ASSISTANCE, INC. AND AFFILIATE

**SCHEDULE OF FUNCTIONAL EXPENSES – INTERCHURCH MEDICAL ASSISTANCE, INC.
For the Three Months Ended September 30, 2018**

	<u>Program Service</u>	<u>Supporting Services</u>		
	Assistance to Overseas Institutions of Healthcare	General and Administrative	Fundraising and Development	<u>Total</u>
Program and subgrantee assistance	\$ 6,304,230	\$ -	\$ -	\$ 6,304,230
Salaries and related benefits	3,626,186	1,079,786	22,397	4,728,369
Office operation and occupancy	1,081,530	438,185	13,634	1,533,349
Staff travel	863,931	208,793	245	1,072,969
Shipping and freight	250,920	-	2,750	253,670
Professional fees	512,156	323,278	-	835,434
Publication and printing	30,239	8,762	-	39,001
Depreciation and amortization	-	28,354	-	28,354
	<u>\$ 12,669,192</u>	<u>\$ 2,087,158</u>	<u>\$ 39,026</u>	<u>\$ 14,795,376</u>
TOTAL EXPENSES	<u>\$ 12,669,192</u>	<u>\$ 2,087,158</u>	<u>\$ 39,026</u>	<u>\$ 14,795,376</u>

See independent auditors' report on supplementary information.

INTERCHURCH MEDICAL ASSISTANCE, INC. AND AFFILIATE
SCHEDULE OF FUNCTIONAL EXPENSES – IMA INNOVATIONS
For the Three Months Ended September 30, 2018

	<u>Program Service</u>	<u>Supporting Services</u>		<u>Total</u>
	Assistance to Overseas Institutions of Healthcare	General and Administrative	Fundraising and Development	
Program and subgrantee assistance	\$ 3,247	\$ -	\$ -	\$ 3,247
Salaries and related benefits	25,453	2,254	-	27,707
Office operation and occupancy	34,659	1,502	-	36,161
Staff travel	1,596	-	-	1,596
Professional fees	9,644	-	-	9,644
Publication and printing	529	-	-	529
TOTAL EXPENSES	\$ 75,128	\$ 3,756	\$ -	\$ 78,884

See independent auditors' report on supplementary information.

**INDEPENDENT AUDITORS' 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**

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

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 consolidated financial statements of Interchurch Medical Assistance, Inc. and Affiliate (collectively referred to as IMA), which comprise the consolidated statement of financial position as of September 30, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the three months then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 12, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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 consolidated 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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether IMA's consolidated 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 consolidated 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.

Marcum LLP

Washington, DC
April 12, 2019

**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Interchurch Medical Assistance, Inc. and Affiliate's (collectively referred to as IMA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on IMA's major federal program for the three months ended September 30, 2018. IMA's major federal program is identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for IMA's major federal program 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* (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 the major federal program. However, our audit does not provide a legal determination of IMA's compliance.

Continued

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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 program for the three months ended September 30, 2018.

Report on Internal Control Over Compliance

Management of the Organization 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 its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Marcum LLP

Washington, DC
April 12, 2019

INTERCHURCH MEDICAL ASSISTANCE, INC. AND AFFILIATE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Three Months Ended September 30, 2018

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID)				
Foreign Assistance for Programs Overseas	98.001	N/A	\$ 318,370	\$ 1,025,216
<i>Pass-through from RTI International</i>				
Neglected Tropical Diseases – Envision	98.001	GHS-A-00-06-0000-00	737,168	2,739,138
<i>Pass-through from DAI Global, LLC</i>				
Integrated Governance Activity Project in the DRC	98.001	AID-660-C-17-00001	-	108,546
<i>Pass-through from JSI Research & Training Institute, Inc.</i>				
AIDS-Free Generation Project	98.001	AID-OAA-A-14-00046	-	67,054
Total Foreign Assistance for Programs Overseas for CFDA 98.001			<u>1,055,538</u>	<u>3,939,954</u>
Total U.S. Agency for International Development			<u>1,055,538</u>	<u>3,939,954</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Pass-through from Centers for Disease Control</i>				
Advancing the Control and Elimination of Neglected Tropical Diseases	93.283	NU51GH00952-05-00	-	31,225
Total U.S. Department of Health and Human Services			<u>-</u>	<u>31,225</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,055,538</u>	<u>\$ 3,971,179</u>

See accompanying notes to this schedule.

INTERCHURCH MEDICAL ASSISTANCE, INC. AND AFFILIATE

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Three Months Ended September 30, 2018**

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of Interchurch Medical Assistance, Inc. and Affiliate (IMA) under programs of the federal government for the three months ended September 30, 2018. The information on the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. Basis of Accounting

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The Organization has elected not to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

INTERCHURCH MEDICAL ASSISTANCE, INC. AND AFFILIATE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Three Months Ended September 30, 2018

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Consolidated Financial Statements

Type of auditors’ 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 consolidated financial statements noted?

Yes No

Federal Awards

Type of auditors’ report issued on compliance for major programs:

Unmodified Qualified
 Adverse Disclaimer

Internal control over major programs:

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR, 200 516(a)?

Yes No

Identification of Major Program(s):

<u>CFDA Number</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

SECTION II – FINDINGS – CONSOLIDATED FINANCIAL STATEMENT AUDIT

None required to be reported.

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None required to be reported.

INTERCHURCH MEDICAL ASSISTANCE, INC. AND AFFILIATE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Three Months Ended September 30, 2018**

SECTION IV – STATUS OF PRIOR YEAR FINDINGS

Consolidated Financial Statement Audit Findings

None required to be reported.

Major Federal Award Programs Audit Findings and Questioned Costs

None required to be reported.