

MOSSES ADAMS

**HEALTH ALLIANCE
INTERNATIONAL**

**Independent Auditor's Report
and Financial Statements
with Supplemental Schedules**

December 31, 2007 and 2006

CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Balance sheet	3
Statement of activities	4
Statement of cash flows	5
Notes to financial statements	6-11
SCHEDULES AND REPORTS REQUIRED UNDER OMB CIRCULAR A-133	
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>	12-13
Report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133	14-15
Schedule of findings and questioned costs	16-17
Summary schedule of prior year audit findings	18
Schedule of expenditures of federal awards	19
OTHER SUPPLEMENTAL INFORMATION	
Report on computation of the indirect cost rate for U.S. Agency for International Development	20
Schedule of computation of the indirect cost rate for U.S. Agency for International Development	21

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Health Alliance International

We have audited the accompanying balance sheet of Health Alliance International (HAI) as of December 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of HAI's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Health Alliance International as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2008, on our consideration of Health Alliance International's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Moss Adams LLP

Seattle, Washington
July 2, 2008

HEALTH ALLIANCE INTERNATIONAL
BALANCE SHEET
DECEMBER 31, 2007 AND 2006

ASSETS

	2007	2006
Cash	\$ 2,171,443	\$ 1,070,443
Grants receivable	176,557	215,351
Other receivables	47,616	24,010
Prepaid expenses	88,729	37,350
Property and equipment, net	840,807	443,567
	\$ 3,325,152	\$ 1,790,721

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 479,847	\$ 267,656
Accrued liabilities	791,299	557,318
Loan payable	47,320	-
Deferred grant revenue	1,152,298	466,493
Deferred rent	32,100	-
Total liabilities	2,502,864	1,291,467

UNRESTRICTED NET ASSETS

	822,288	499,254
	\$ 3,325,152	\$ 1,790,721

HEALTH ALLIANCE INTERNATIONAL
STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
REVENUES		
Federal grants		
Direct grants	\$ 10,211,311	\$ 4,130,446
Subcontracts	240,652	236,809
	10,451,963	4,367,255
Cost-sharing		
UNICEF and international grants	779,068	588,614
Global Fund Grants	437,779	650,478
Other grants	527,084	-
In-kind contributions	-	22,723
World Bank Grant	887,425	1,217,051
Other grants	156,592	380,218
Interest and other income	40,884	3,229
Total unrestricted revenue	13,280,795	7,229,568
EXPENSES		
Salaries and benefits	3,011,372	1,765,289
Other direct costs	2,371,505	1,135,534
Indirect costs	1,538,199	933,102
Participant training, M & E and research	1,706,326	747,247
Equipment and supplies	1,684,479	821,908
Cost-sharing expenses	1,666,746	1,242,918
Travel and transportation	447,507	264,893
Employee allowances	362,922	205,459
Depreciation	168,654	135,448
Other expenses	51	905
Total expenses	12,957,761	7,252,703
Change in unrestricted net assets	323,034	(23,135)
NET ASSETS		
Beginning of year	499,254	522,389
End of year	\$ 822,288	\$ 499,254

HEALTH ALLIANCE INTERNATIONAL
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 323,034	\$ (23,135)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	168,654	135,448
Donated vehicle and generator	-	(18,900)
Changes in operating assets and liabilities		
Grants receivable	38,795	75,107
Other receivables	(23,606)	(8,090)
Prepaid expenses	(51,379)	(18,968)
Accounts payable	212,191	21,370
Accrued liabilities	233,981	188,363
Deferred rent	32,100	-
Deferred grant revenue	685,805	16,076
	<u>1,619,575</u>	<u>367,271</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture and equipment	<u>(565,895)</u>	<u>(80,687)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	<u>47,320</u>	<u>-</u>
 NET CHANGE IN CASH	 1,101,000	 286,584
 CASH		
Beginning of year	<u>1,070,443</u>	<u>783,859</u>
End of year	<u>\$ 2,171,443</u>	<u>\$ 1,070,443</u>
 SUPPLEMENTAL DISCLOSURE OF NON-CASH DONATED VEHICLE AND GENERATOR	 <u>\$ -</u>	 <u>\$ 18,900</u>

HEALTH ALLIANCE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

Note 1 - Description of Operations and Significant Accounting Policies

Health Alliance International (HAI) is a not-for-profit organization whose mission is to improve the health and welfare of underserved peoples and work toward the equitable delivery of health services worldwide. Activities of HAI are realized collaboratively with international and domestic counterparts and include current operations in Mozambique and East Timor. HAI is currently exploring expansion opportunities in other African countries such as Ivory Coast and Sudan. Emphasis is placed on partnership, technical exchange, and fostering self-sufficiency through training, assessment, implementation, and evaluation of health-related programs. A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of Presentation - HAI's financial statements have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. All activities of HAI are considered unrestricted.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that could affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash - HAI considers all highly liquid short-term investments with a maturity of three months or less to be cash equivalents. All cash accounts held in foreign countries at December 31, 2007 and 2006 have been translated at the exchange rates prevailing at that date. Amounts transferred to and disbursed in foreign countries are translated for financial statement purposes at the exchange rate prevailing at the date of the transfer. There were no cash equivalents at December 31, 2007 and 2006. World Bank requires that grant funds be held in separate bank accounts.

Cash held in foreign currency totaled \$824,335 and \$103,159 at December 31, 2007 and 2006.

Grants Receivable and Deferred Grant Revenue - Grants receivable are recorded for amounts due to HAI for expenses of reimbursable activities conducted in accordance with the provisions of HAI cost-reimbursement grant contracts. No allowance for uncollectible balances has been deemed necessary by management based upon HAI's historical experience in the collection of balances due and the nature of the receivables. Deferred grant revenue is recorded for advances of grant funds in excess of expenses incurred for the reimbursable grant activities.

Property and Equipment - Property and equipment is recorded at cost if purchased or fair value if contributed. All acquisitions in excess of \$5,000 with an estimated use exceeding one year are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of five to seven years. Title to all property and equipment acquired under the U.S. Agency for International Development (U.S. AID) grant vests with HAI, subject to certain use and disposition terms specified by U.S. AID.

HEALTH ALLIANCE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

Note 1 - Description of Operations and Significant Accounting Policies (Continued)

Revenue Recognition - Revenue is recognized for cost-reimbursement grants as expenses are incurred in accordance with the provisions of the grant.

Interest and Other Income - Interest and other income, consisting of income earned on the cash accounts and other revenue, are recorded as earned. When stipulated by grant terms, unexpended interest and other income are retained in a designated fund, returned to the grantor, or applied to the purpose of the grant. When not stipulated by the terms of the grant, management has concluded that interest and other income are available for current operations.

Income Tax - HAI is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the HAI's tax-exempt purpose is subject to taxation as unrelated business income.

Expense Allocation - Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. HAI's expenses are presented in the statement of activities using natural classification categories consistent with the management and monitoring of HAI grants.

Note 2 - Property and Equipment

Property and equipment consist of the following at December 31:

	2007	2006
Property and office equipment	\$ 61,387	\$ 26,212
Software and computer equipment	128,266	-
Vehicles	1,305,257	902,803
	1,494,910	929,015
Less accumulated depreciation	654,103	485,448
	\$ 840,807	\$ 443,567

Included in property and equipment are a vehicle and generator donated to HAI by Family Health International (FHI) during 2006. FHI ended their project in East Timor in 2006. The vehicle and generator were recorded by HAI at fair market value at the date of the original gift in 2006.

HEALTH ALLIANCE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

Note 3 - Accrued Liabilities

Accrued liabilities consist of the following at December 31:

	2007	2006
Salaries and wages	\$ 170,793	\$ 126,506
Vacation	180,236	107,899
Mozambique severance	440,270	322,913
	\$ 791,299	\$ 557,318

Under Mozambique labor laws, severance is required to be paid by HAI to employees upon termination based on length of service. HAI has accrued for such severance costs as of December 31, 2007 and 2006.

Note 4 - Line of Credit

HAI has a line of credit agreement with a bank. HAI can borrow up to \$100,000 at an interest rate of 9.75%. The line of credit is collateralized by the assets of HAI. There was no outstanding balance at December 31, 2007 and 2006.

Note 5 - Net Assets

Unrestricted net assets consist of the following at December 31:

	2007	2006
Furniture and equipment	\$ 840,807	\$ 443,567
Designated	-	52,438
Undesignated	(18,519)	3,249
	\$ 822,288	\$ 499,254

The following is a description of the unrestricted net assets.

Designated - Represents resources available for use, but expendable only for those operating purposes specified by management or the Board of Directors.

HEALTH ALLIANCE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

Note 5 - Net Assets (Continued)

Furniture and Equipment - Represents resources, which are available or have been expended, for furniture and equipment utilized in HAI's operations.

Undesignated - Represents resources over which the Board of Directors has discretionary control, and are used to carry out operations in accordance with HAI's bylaws.

Note 6 - Functional Expenses

HAI's functional expenses consist of the following for the years ended December 31:

	2007	2006
Program Services		
PEPFAR Track 1.5	\$ 9,545,200	\$ 3,805,106
TAP	709,940	973,641
Child Survival Project - Mozambique	321,118	636,386
Child Survival Project - East Timor	312,745	257,293
Child Spacing Program - East Timor	90,448	92,621
Reservoirs of Drug Resistant HIV-1	81,302	68,002
Technical Assistance to Mozambique MOH	68,749	320,342
HAART Delivery Models Study	57,784	27,842
Technical Excellence for National Health Project	21,366	-
Technical Support for Sudan HIV/AIDS Services	19,120	-
Pentecostalism & Utilization of HIV/AIDS Tx Svc	15,132	-
East Timor Maternal Health Project	3,933	2,000
Support for PMTCT Project in Cote d'Ivoire	3,718	-
Technical Training in Sudan	300	-
	11,250,855	6,183,233
Support Services - Management and General	1,706,906	1,069,470
	\$ 12,957,761	\$ 7,252,703

HEALTH ALLIANCE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

Note 7 - Commitments

HAI signed a five year lease on November 1, 2007 for property located at 4534 11th Avenue, Seattle, Washington to serve as HAI's headquarters office. Future minimum annual rental payments for this space at December 31 approximate:

2008	\$ 97,000
2009	103,000
2010	110,000
2011	116,000
2012	<u>101,000</u>
	<u>\$ 527,000</u>

HAI received rent abatement and lease incentive considerations, which are recorded as deferred rent. HAI recognizes that amount on a straight line basis over the life of the lease. Rental expense for the years ended December 31, 2007 and 2006 was approximately \$77,000 and \$78,000.

HAI is in the process of upgrading their computer programs and systems. HAI capitalized the costs incurred in 2007 for the system to be installed in 2008. A portion of the software costs were financed with a three year loan with interest at 9.7% and maturing in June 2010. Interest paid on the loan in the amount of \$2,528 was capitalized in 2007. The current portion of the loan payable of \$17,569 will be paid in 2008.

HAI has entered into a vendor agreement with the University of Washington (UW) whereby the UW provides personnel, services, and office supplies. For the years ended December 31, 2007 and 2006, expenses totaling approximately \$1,114,100 and \$649,000 were incurred under this agreement. At December 31, 2007 and 2006, approximately \$354,000 and \$199,600 were due to UW under this contract and were included in accounts payable. One of the board members of HAI is a faculty member of the UW.

Note 8 - Contingencies and Concentrations

Expenses incurred under the grant programs are subject to audit by the granting agency. If, as a result of such audit, certain expenses incurred are determined to be nonreimbursable, HAI may be liable for repayment of disallowed expenses previously claimed or received.

Concentrations of Credit Risk - HAI maintains cash balances with financial institutions that exceed federally insured limits, which potentially subject HAI to concentration of credit risk. HAI has not experienced any losses related to these balances and believes that there is minimal credit risk.

HEALTH ALLIANCE INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

Note 8 - Contingencies and Concentrations (Continued)

For the year ended December 31, 2007 approximately 77% of HAI's total revenue and approximately 18% of grants receivable were from one funding source. For the year ended December 31, 2006 approximately 68% of HAI's total revenue and approximately 42% of grants receivable were due from two funding sources.

SCHEDULES AND REPORTS REQUIRED UNDER OMB CIRCULAR A-133

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
Health Alliance International

We have audited the financial statements of Health Alliance International as of and for the year ended December 31, 2007, and have issued our report thereon dated July 2, 2008. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Health Alliance International's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Health Alliance International's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, the United States Agency for International Development and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Seattle, Washington
July 2, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Health Alliance International

Compliance

We have audited the compliance of Health Alliance International with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2007. Health Alliance International's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Health Alliance International's management. Our responsibility is to express an opinion on Health Alliance International's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Health Alliance International'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. Our audit does not provide a legal determination of Health Alliance International's compliance with those requirements.

In our opinion, Health Alliance International complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2007.

Internal Control over Compliance

The management of Health Alliance International is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audits, we considered Health Alliance International's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of and to test and report on internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of management, the Board of Directors, others within the entity and the awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Seattle, Washington
July 2, 2008

**HEALTH ALLIANCE INTERNATIONAL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2007**

I. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: **Unqualified**

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes X No

- Significant deficiencies identified that
are not considered to be material
weaknesses? _____ Yes X None Reported

- Noncompliance material to financial
statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ Yes X No

- Significant deficiencies identified that
are not considered to be material
weaknesses? _____ Yes X None Reported

Type of auditor's report issued on compliance for major programs: **Unqualified**

- Any audit findings disclosed that are
required to be reported in accordance
with section 510(a) of Circular A-133? _____ Yes X No

HEALTH ALLIANCE INTERNATIONAL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2007

I. SUMMARY OF AUDIT RESULTS (Continued)

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
98.001	U.S. AID Foreign Assistance for Programs Oversees

Dollar threshold used to distinguish between type A and type B programs: \$ 313,559

Auditee qualified as a low risk auditee? X Yes No

II. FINANCIAL STATEMENT FINDINGS **None**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS **None**

**HEALTH ALLIANCE INTERNATIONAL
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2007**

There were no prior audit findings; therefore, no matters are reportable.

**HEALTH ALLIANCE INTERNATIONAL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2007**

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Prime Agreement Number</u>	<u>Federal Expenditures</u>
<u>U.S. Agency for International Development (U.S. AID), U.S. AID Foreign Assistance for Programs Overseas:</u>			
PEPFAR	98.001	656-A-00-04-00021-00	\$ 9,533,420
Central Mozambique, Child Survival and Maternal Care Project	98.001	FAO-A 00-98-000-54-00	350,732
East Timor Child Survival and Health Grants Program	98.001	GHS-A-00-04-00022	327,159
Direct U.S. AID Sub-total			<u>10,211,311</u>
Passed through World Learning Promoting Community Demand for Child Spacing in Timor-Leste	98.001	GSM-004	104,522
Passed through Chemonics Mozambique Fostering Optimization of Resources and Technical Excellence for National Health Project	98.001	GHI-06-03-00025-00	24,691
Passed through U.S. AID Sub-total			<u>129,213</u>
Total U.S. AID			10,340,524
<u>Department of Health and Human Services, National Institute for Health (NIH):</u>			
Passed through Children's Hospital and Regional Medical Center Reservoirs of Drug-Resistant HIV-1	93.856		93,953
Passed through University of Washington Pentecostalism & Utilization of HIV/AIDS Treatment Services in Central Mozambique	93.864		17,487
Total Expenditures of Federal Awards			<u>\$ 10,451,964</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Health Alliance International and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

OTHER SUPPLEMENTAL INFORMATION

**REPORT ON COMPUTATION OF THE INDIRECT COST RATE
FOR U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT**

To the Board of Directors
Health Alliance International

We have audited the financial statements of Health Alliance International (HAI) as of and for the year ended December 31, 2007, and have issued our report thereon dated July 2, 2008. We also have audited the accompanying Schedule of Computation of the Indirect Cost Rate for U.S. Agency for International Development (U.S. AID) (the Schedule) for the year ended December 31, 2007. This Schedule is the responsibility of HAI's management. Our responsibility is to express an opinion on this Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

The method of calculating the indirect cost rate is prescribed by the OMB Circular A-122, *Cost Principles for Nonprofit Organizations*, and other pertinent federal agreements.

In our opinion, the schedule referred to above presents fairly, in all material respects, the computation of the indirect cost rate for U.S. AID for the year ended December 31, 2007, in accordance with the terms of pertinent federal agreements and OMB Circular A-122, *Cost Principles for Nonprofit Organizations*.

This report is intended solely for the use of management, the Board of Directors and the U.S. Agency for International Development. However, this report is a matter of public record and its distribution is not limited.



Seattle, Washington
July 2, 2008

HEALTH ALLIANCE INTERNATIONAL
SCHEDULE OF COMPUTATION OF THE INDIRECT COST RATE FOR U.S. AGENCY
FOR INTERNATIONAL DEVELOPMENT
YEAR ENDED DECEMBER 31, 2007

Description	Total Direct Costs	Total Indirect Costs	Indirect Cost Exclusions	Indirect Cost Pool
Salaries and benefits	\$ 2,855,716	\$ 782,316	\$ -	\$ 782,316
Consultants	160,310	196,882	-	196,882
Domestic travel	341,243	63,589	-	63,589
International travel	106,264	160,723	-	160,723
Participant training	1,033,361	-	-	-
M & E, Research studies, IEC	863,377	-	-	-
Other direct/indirect costs	982,996	104,655	-	104,655
Vehicle maintenance	168,729	-	-	-
Office supplies	239,428	26,063	-	26,063
Telephone and fax	45,179	18,716	-	18,716
Office rent	13,621	75,701	-	75,701
Supplies	1,911,332	87,835	-	87,835
General, home and tuition allowance	149,473	21,772	-	21,772
Health allowance	123,971	-	-	-
Housing allowance	86,646	-	-	-
Subcontract	502,463	-	-	-
Depreciation	-	168,654	165,104	3,550
	<u>\$ 9,584,109</u>	<u>\$ 1,706,906</u>	<u>\$ 165,104</u>	<u>\$ 1,541,802</u>
<u>Calculation of Indirect Rate</u>				
<i>Allowable indirect cost pool</i>	<u>\$ 1,541,802</u>			
Total direct costs	\$ 9,584,109			
Equipment purchases - direct	<u>324,054</u>			
<i>Direct cost base</i>	<u>\$ 9,908,163</u>			
Indirect Cost Pool	\$ 1,541,802	=	<u>15.56%</u>	
Direct Cost Base	\$ 9,908,163			

Exclusions: Total direct and indirect costs exclude cost sharing expenses of \$1,666,746.