

INTERNATIONAL HEALTH ECONOMICS ASSOCIATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

AUGUST 31, 2005

Together With Accountants' Report

DRAFT
FOR MANAGEMENT DISCUSSION PURPOSES ONLY

INTERNATIONAL HEALTH ECONOMICS ASSOCIATION

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ACCOUNTANTS' REPORT

To: Board of Directors
International Health Economics Association

We have compiled the accompanying statement of assets, liabilities and net assets – cash basis of International Health Economics Association (a non-profit corporation) for the year ended August 31, 2005 and the related statements of revenue and expenses – cash basis, cash flows, and functional expenses – cash basis for the year then ended. These financial statements have been prepared in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them. However, we did become aware of a departure from accounting principles generally accepted in the United States of America that is described in the following paragraph.

As described in note 2, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

November 11, 2005

INTERNATIONAL HEALTH ECONOMICS ASSOCIATION

STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS – CASH BASIS

AUGUST 31, 2005

ASSETS

Cash	\$330,379
Investments	<u>473,267</u>
Total assets	<u>\$803,646</u>

LIABILITIES AND NET ASSETS

LIABILITIES

-

NET ASSETS

Unrestricted	803,646
Temporarily restricted	<u>-</u>
Total net assets	<u>803,646</u>
Total liabilities and net assets	<u>\$803,646</u>

See accountants' report and accompanying notes which are an integral part of this statement.

INTERNATIONAL HEALTH ECONOMICS ASSOCIATION

STATEMENT OF REVENUE AND EXPENSES – CASH BASIS

FOR THE YEAR ENDED AUGUST 31, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>			
Program services	\$1,273,459	\$ -	\$1,273,459
Contributions	386,855	-	386,855
Memberships	245,858	-	245,858
Unrealized gain on investments	41,052	-	41,052
Interest and other income	<u>7,598</u>	<u>-</u>	<u>7,598</u>
Total support and revenue	<u>1,954,822</u>	<u>-</u>	<u>1,954,822</u>
<u>EXPENSES</u>			
Program services	1,312,370	-	1,312,370
Management and general	<u>80,119</u>	<u>-</u>	<u>80,119</u>
Total expenses	<u>1,392,489</u>	<u>-</u>	<u>1,392,489</u>
Change in net assets	562,333	-	562,333
Net assets, Beginning of year	<u>241,313</u>	<u>-</u>	<u>241,313</u>
Net assets, End of year	<u>\$803,646</u>	<u>\$ -</u>	<u>\$803,646</u>

See accountants' report and accompanying notes which are an integral part of this statement.

INTERNATIONAL HEALTH ECONOMICS ASSOCIATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets \$562,333

Adjustment to reconcile changes in net assets to net cash provided (used) by operating activities:

Unrealized gain on investments (41,052)

Net cash provided (used) by operating activities 521,281

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments (250,000)

CASH FLOWS FROM FINANCING ACTIVITIES

-

Net increase (decrease) in cash 271,281

Cash, Beginning of year 59,098

Cash, End of year \$330,379

SUPPLEMENTARY INFORMATION

Interest paid \$ -

Income taxes paid \$ -

See accountants' report and accompanying notes which are an integral part of this statement.

INTERNATIONAL HEALTH ECONOMICS ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES – CASH BASIS

FOR THE YEAR ENDED AUGUST 31, 2005

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Accounting	\$ -	\$ 2,564	\$ 2,564
Bank charges	27,538	4,860	32,398
Computer service	64,239	11,336	75,575
Conferences	751,576	-	751,576
Consultants	97,086	17,133	114,219
Management fees	157,906	27,866	185,772
Other operating expenses	2,537	447	2,984
Postage	24,267	1,277	25,544
Printing and publications	125,312	-	125,312
Supplies	892	891	1,783
Telephone	3,614	3,615	7,229
Travel	<u>57,403</u>	<u>10,130</u>	<u>67,533</u>
Total	<u>\$1,312,370</u>	<u>\$80,119</u>	<u>\$1,392,489</u>

See accountants' report and accompanying notes which are an integral part of this statement.

INTERNATIONAL HEALTH ECONOMICS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2005

1) ORGANIZATION

The International Health Economics Association (iHEA) was formed to increase communication among health economists, foster a higher standard of debate in the application of economics to health and health care systems, and assist young researchers at the start of their careers. iHEA awards the annual “Kenneth J. Arrow Award” for the best paper in health economics. iHEA distributes health economics related journals and information to members and maintains the World Directory of Health Economists. iHEA also holds biennial international conferences on health economics.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting. Accordingly, revenue is recorded when received rather than when earned and expenses when paid rather than when the obligation is incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, iHEA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. For the year ended August 31, 2005, iHEA had no temporarily or permanently restricted net assets.

Memberships

Memberships are recorded as revenue on a cash receipts basis. No determination has been made concerning the amount of deferred dues income at year-end.

Income Taxes

iHEA is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, if iHEA had income from certain activities not directly related to iHEA’s tax-exempt purpose it would be subject to taxation as unrelated business income. In addition, iHEA qualifies for the Charitable Contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

INTERNATIONAL HEALTH ECONOMICS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

AUGUST 31, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expense Allocation

The cost of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses. Actual results could differ from those reported.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increased in temporarily or permanently restricted net assets, depending on the nature of the restrictions.

Investments

iHEA carries investments in marketable securities with readily determinable fair values at their fair values in the Statement of Assets, Liabilities and Net Assets – Cash Basis.

3) INVESTMENTS

Investments consist of the following at August 31, 2005:

	<u>Cost</u>	<u>Market</u>	<u>Accumulated Unrealized Gain (Loss)</u>
Investments	<u>\$410,000</u>	<u>\$473,267</u>	<u>\$63,267</u>
<u>Investment return</u>			
Unrealized gains (losses)		<u>\$41,052</u>	

INTERNATIONAL HEALTH ECONOMICS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

AUGUST 31, 2005

4) CONCENTRATION OF CREDIT RISK

iHEA maintains cash balances in several financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At August 31, 2005, iHEA's uninsured cash balances totaled approximately \$80,000.

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