

WeiserMazars LLP

International Health Economics Association

**Financial Statements
August 31, 2011 and 2010**



International Health Economics Association

Contents

August 31, 2011 and 2010

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Independent Auditors' Report

To the Board of Directors of
International Health Economics Association

We have audited the accompanying statements of assets and net assets - modified cash basis of International Health Economics Association (the "Organization") as of August 31, 2011 and 2010, and the related statements of revenues and expenses – modified cash basis, functional expenses – modified cash basis and cash flows - modified cash basis for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the following paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the statements of assets and net assets of International Health Economics Association as of August 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 2.

WeiserMazars LLP

February 27, 2012

International Health Economics Association
Statements of Assets and Net Assets - Modified Cash Basis
August 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash	\$ 727,735	\$ 244,205
Marketable securities	<u>1,070,060</u>	<u>982,448</u>
 Total assets	 <u><u>\$ 1,797,795</u></u>	 <u><u>\$ 1,226,653</u></u>
 Net assets		
Unrestricted	\$ 1,640,870	\$ 1,100,978
Temporarily restricted	<u>156,925</u>	<u>125,675</u>
 Total net assets	 <u><u>\$ 1,797,795</u></u>	 <u><u>\$ 1,226,653</u></u>

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

International Health Economics Association
Statements of Revenues and Expenses - Modified Cash Basis
Years Ended August 31, 2011 and 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Program services	\$ 1,141,304	\$ -	\$ 1,141,304	\$ 314,662	\$ -	\$ 314,662
Grants	55,392	31,250	86,642	40,000	75,000	115,000
Contributions	218,960	-	218,960	173,698	-	173,698
Memberships	209,792	-	209,792	176,993	-	176,993
Unrealized gain on investments	63,760	-	63,760	20,368	-	20,368
Dividend income	23,852	-	23,852	17,834	-	17,834
Interest and other income	417	-	417	512	-	512
Net assets released from restrictions by satisfaction of program restrictions	-	-	-	39,600	(39,600)	-
Total support and revenue	1,713,477	31,250	1,744,727	783,667	35,400	819,067
Expenses						
Program services	1,043,769	-	1,043,769	741,324	-	741,324
Management and general	129,816	-	129,816	99,732	-	99,732
Total expenses	1,173,585	-	1,173,585	841,056	-	841,056
Change in net assets	539,892	31,250	571,142	(57,389)	35,400	(21,989)
Net assets						
Beginning	1,100,978	125,675	1,226,653	1,158,367	90,275	1,248,642
Ending	<u>\$ 1,640,870</u>	<u>\$ 156,925</u>	<u>\$ 1,797,795</u>	<u>\$ 1,100,978</u>	<u>\$ 125,675</u>	<u>\$ 1,226,653</u>

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

International Health Economics Association

Statements of Cash Flows - Modified Cash Basis

Years Ended August 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Change in net assets	\$ 571,142	\$ (21,989)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Reinvested dividends	(23,852)	(17,834)
Unrealized gain on investments	<u>(63,760)</u>	<u>(20,368)</u>
Net cash provided by (used in) operating activities	483,530	(60,191)
 Cash flows from investing activities		
Purchase of marketable securities	<u>-</u>	<u>(250,001)</u>
 Net increase (decrease) in cash	483,530	(310,192)
 Cash		
Beginning	<u>244,205</u>	<u>554,397</u>
 Ending	<u><u>\$ 727,735</u></u>	<u><u>\$ 244,205</u></u>

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

International Health Economics Association
Statements of Functional Expenses - Modified Cash Basis
Years Ended August 31, 2011 and 2010

	2011			2010		
	Program Services	Management and General	Total Expenses	Program Services	Management and General	Total Expenses
Accounting	\$ -	\$ 14,396	\$ 14,396	\$ -	\$ 14,484	\$ 14,484
Bank charges	40,235	7,100	47,335	16,689	2,945	19,634
Webhosting and technology	100,106	17,666	117,772	41,493	7,322	48,815
Conferences	315,766	-	315,766	230,361	-	230,361
Consultants	135,062	23,835	158,897	71,990	12,704	84,694
Management fees	322,856	56,974	379,830	284,406	50,189	334,595
Office and occupancy	24,803	1,305	26,108	18,076	951	19,027
Printing and publications	2,155	-	2,155	15,200	-	15,200
Travel	48,391	8,540	56,931	63,109	11,137	74,246
Scholarship	54,395	-	54,395	-	-	-
Total	\$ 1,043,769	\$ 129,816	\$ 1,173,585	\$ 741,324	\$ 99,732	\$ 841,056

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

International Health Economics Association

Notes to Financial Statements – Modified Cash Basis

August 31, 2011 and 2010

1. Organization and Nature of Activities

The International Health Economics Association ("IHEA") (the "Organization") 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 Presentation

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. In addition, marketable securities are stated at fair value, with the corresponding unrealized gains and losses recognized in the statement of revenues and expenses - modified cash basis.

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The Organization's net assets are classified as unrestricted and temporarily restricted.

Unrestricted net assets are those not subject to any donor-imposed restrictions. Temporarily restricted net assets are those subject to donor-imposed use or time restrictions that expire either when the contributions are used for their stipulated purposes or when the time restrictions expire. Permanently restricted net assets are those subject to donor-imposed restrictions that neither expire with the passage of time nor can be met and removed by actions of the Organization.

Use of Estimates

The accompanying financial statements are prepared on the modified cash basis of accounting which 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 during the reporting period. Actual results could differ from these reported.

Cash

The Organization maintains its cash balances in four banks. The balances are insured by the Federal Deposit Insurance Corporation. At times, the balances may exceed the federally insured limits. The Organization has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

Investments

The Organization carries investments in marketable securities with readily determinable fair values at their fair values in the Statements of Assets, Liabilities and Net Assets – Modified Cash Basis.

Memberships

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

International Health Economics Association

Notes to Financial Statements – Modified Cash Basis

August 31, 2011 and 2010

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is exempt from state income taxes under the provisions of the Pennsylvania Nonprofit Corporation Law.

The Organization files income tax returns in the U.S. Federal jurisdiction. The Corporation is no longer subject to U.S. Federal income tax examinations by tax authorities for years before 2008.

Expense Allocation

The cost of providing various programs and other activities has been summarized on a functional basis in the Statements of Revenues and Expenses – Modified Cash Basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

The Organization has evaluated subsequent events through February 27, 2012, the date these financial statements were available for issuance. All subsequent events requiring recognition as of August 31, 2011, have been incorporated in these financial statements.

3. Marketable Securities

Marketable securities consist of mutual funds. As of August 31, 2011 and 2010, the cost was \$1,054,066 and \$1,030,214 with an estimated fair value of \$1,070,060 and \$982,448, resulting in a net unrealized holding gain of \$15,994 at August 31, 2011 and a net unrealized holding loss of \$47,766 at August 31, 2010. There are no realized gains or losses on securities classified as available-for-sale for the year ended August 31, 2011.

The Organization's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value of measurement. Valuation techniques used to measure fair value need to maximize the use of observable inputs and minimize the use of unobservable inputs. Valuation techniques used to measure fair value are defined as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in inactive markets; (c) inputs other than quoted prices that are observable for the asset or liability and (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

International Health Economics Association

Notes to Financial Statements – Modified Cash Basis

August 31, 2011 and 2010

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes that its valuation methods are appropriate and consistent with other markets' participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents the Organization's fair value hierarchy for the above assets measured at fair value on a recurring basis as of August 31, 2011 and 2010:

	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual funds, August 31, 2011	\$ 1,070,060	\$ -	\$ -
Mutual funds, August 31, 2010	\$ 982,448	\$ -	\$ -

4. Restrictions on Net Assets

Net assets are restricted for the following purposes:

	2011	2010
Establishment of a program in Africa	\$ 56,775	\$ 56,775
Production of an e-journal	68,900	68,900
Healthcare entrepreneurship research	31,250	
	\$ 156,925	\$ 125,675

5. Related Party Transactions

The Organization engaged a consulting firm (whose owners include certain directors of the Organization) to perform services related to coordinating the conferences that are held every odd year. Management fees for the year ended August 31, 2011 and 2010 were \$308,000 and \$265,000, respectively.

The Organization's facilities are provided at no charge by the executive director. The estimated fair rental value of \$4,800 for each of the years ended August 31, 2011 and 2010 was recorded as grant revenue and occupancy expense.

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