

INTERNATIONAL HEALTH ECONOMICS ASSOCIATION  
YEAR ENDED AUGUST 31, 2015

**ROBERT C. BEZGIN**  
**CERTIFIED PUBLIC ACCOUNTANT**

INTERNATIONAL HEALTH ECONOMICS ASSOCIATION

YEAR ENDED AUGUST 31, 2015

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of  
International Health Economics Association

I have reviewed the accompanying financial statements of International Health Economics Association (a nonprofit organization), which comprise the statement of assets and net assets – modified cash basis as of August 31, 2015, and the related statements of revenues and expenses – modified cash basis, functional expenses – modified cash basis and cash flows – modified cash basis for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

**Accountant's Responsibility**

My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting. I believe that the results of my procedures provide a reasonable basis for my conclusion.

**Accountant's Conclusion**

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the modified cash basis of accounting.

**Basis of Accounting**

I draw attention to the Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My conclusion is not modified with respect to this matter.

*Robert C. Bezgin, CPA*

Robert C. Bezgin, CPA

June 30, 2016

International Health Economics Association  
Statements of Assets and Net Assets - Modified Cash Basis  
As of August 31, 2015

	<u>08/31/2015</u>
Assets:	
Cash and cash equivalents	\$369,634
Marketable securities	<u>793,747</u>
Total assets	<u><u>\$1,163,381</u></u>
Unrestricted	<u><u>\$1,163,381</u></u>

International Health Economics Association  
Statements of Revenue and Expenses - Modified Cash Basis  
For the Year Ended August 31, 2015

	<u>08/31/2015</u>
Support and Revenue:	
Program services	\$962,463
Contributions	40,677
Memberships	114,250
Unrealized gain (loss) on investments	(111,600)
Realized gain (loss) on investments	31,604
Dividend and interest income	18,955
	<hr/>
Total Support and Revenue	1,056,350
	<hr/>
Expenses:	
Program services	744,190
Management and general	101,586
Fundraising	60,804
	<hr/>
Total Expenses	906,580
	<hr/>
Change in net assets	149,770
Net assets - beginning of the year	1,013,611
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Net assets - end of the year	<u>\$1,163,381</u>

International Health Economics Association  
 Statements of Functional Expenses - Modified Cash Basis  
 For the Year Ended August 31, 2015

	08/31/2015			
	Program Services	Management and General	Fundraising	Total Expenses
Accounting		\$6,500		\$6,500
Bank charges	453	80		533
Conferences	270,100			270,100
Consultants	175,773	35,155	23,436	234,364
Scholarships and awards				
Insurance		1,645		1,645
Management fees	271,534	54,306	36,205	362,045
Office and occupancy	7,282	404	404	8,090
Technology	15,506	2,737		18,243
Travel	3,542	759	759	5,060
	<u>\$744,190</u>	<u>\$101,586</u>	<u>\$60,804</u>	<u>\$906,580</u>
Total expenses				

International Health Economics Association  
Statements of Cash Flows - Modified Cash Basis  
For the Year Ended August 31, 2015

08/31/2015

Cash flows from operating activities:	
Change in net assets	\$149,770
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Reinvested dividends	(18,773)
Unrealized (gain) loss on investments	111,600
Realized (gain) loss on investments	<u>(31,604)</u>
Net cash provided by (used in) operating activities	<u>210,993</u>
Cash flows from investing activities:	
Purchase of investments	(120,000)
Proceeds from sale of investments	<u>220,000</u>
Net cash provided by (used in) investing activities	<u>100,000</u>
Net change in cash and cash equivalents	310,993
Cash and cash equivalents - beginning of the year	<u>58,641</u>
Cash and cash equivalents - end of the year	<u><u>\$369,634</u></u>

INTERNATIONAL HEALTH ECONOMICS ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015

NOTE A - Summary of Significant Accounting Policies:

Nature of 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 information to members and maintains the World Directory of Health Economists. iHEA also holds biennial international conferences on health economics.

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 are recorded 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 statements of revenues and expenses - modified cash basis. Also, deferred compensation for the benefit of the Executive Director was not recognized until it was paid. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

iHEA reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

iHEA's net assets are classified as unrestricted. 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 preparation of financial statements requires management to make estimates and assumptions which affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents - For purposes of the statement of cash flows, highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents. iHEA maintained its cash balances in two financial institutions. Account balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. iHEA also maintained an account at an institution in Canada, which was insured by the Canada Deposit Insurance Corporation (CDIC) up to \$100,000.



INTERNATIONAL HEALTH ECONOMICS ASSOCIATION  
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iHEA has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

Investments - iHEA carries investments in marketable securities with readily determinable fair values at fair value based on quoted prices in active markets.

Program Service Revenue - Program service revenue includes registrations for conferences held by iHEA, as well as fees received in support of other similar organizations.

Income Taxes - iHEA 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. Donors may deduct contributions to iHEA in accordance with the provisions of Section 170(b)(1)(A) of the Code, and iHEA has been classified as an organization that is not a private foundation under the provisions of Section 509(a)(2) of the Code.

iHEA's tax filings for fiscal 2012, 2013 and 2014 are subject to examination, generally for three years after they were filed.

Functional Allocation of Expenses - 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.

Concentration of Income Sources - iHEA's biennial international conference produced approximately 91% of the total revenue for the year ended August 31, 2015.

**NOTE B - Marketable Securities and Fair Value Measurements:**

Marketable securities consist of mutual funds. As of August 31, 2015, the cost was \$715,295 with an estimated fair value of \$793,747 resulting in a net unrealized holding gain of \$78,451 at August 31, 2015. There was a realized gain of \$31,604 on securities sold for the year ended August 31, 2015.

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:

INTERNATIONAL HEALTH ECONOMICS ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015

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.

The following table sets forth iHEA's investments (all are carried at fair value and are based on Level 1 inputs):

	<u>August 31, 2015</u>
Mutual funds:	
U.S. Stocks and equities	\$245,090
Money market	112,431
International stocks and equities	433,284
Bonds	<u>2,942</u>
Total marketable securities	<u>\$793,747</u>

NOTE C - Related Party Transactions:

iHEA's facilities were provided at no charge by the executive director. The estimated fair rental value of \$4,800 for the year ended August 31, 2015 was recorded as grant revenue and occupancy expense.

NOTE D - Deferred Compensation Commitment:

iHEA has a deferred compensation agreement for the benefit of the current Executive Director. The agreement requires a benefit equal to one-twelfth of annual compensation for each year of service beginning with 1994, to be paid upon separation from iHEA for any reason other than termination for cause. The Executive Director notified iHEA that he would retire December 31, 2015, which required iHEA to pay out deferred compensation in the amount of \$100,000 for the year ended August 31, 2015 and make final payment of \$54,995 in November, 2015.

INTERNATIONAL HEALTH ECONOMICS ASSOCIATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015

NOTE E - Subsequent Events:

In preparing these financial statements, iHEA has evaluated events and transactions for potential recognition or disclosure through June 30, 2016, the date these financial statements were available to be issued.