



TOUCH FOUNDATION, INC.

Financial Statements

June 30, 2010

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Trustees
Touch Foundation, Inc.:

We have audited the accompanying statement of financial position of Touch Foundation, Inc. (the Foundation) as of June 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the Foundation's 2009 financial statements, and in our report dated January 27, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Touch Foundation, Inc. as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was performed for the purpose of forming an opinion on the basic 2010 financial statements taken as a whole. The supplementary information included in Schedule I is presented for the purpose of additional analysis 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 2010 financial statements taken as a whole.

KPMG LLP

February 7, 2011

TOUCH FOUNDATION, INC.

Statement of Financial Position

June 30, 2010

(With comparative amounts at June 30, 2009)

Assets	2010	2009
Assets:		
Cash and cash equivalents	\$ 338,111	371,975
Contributions and grants receivables, net (notes 3 and 6)	1,030,540	2,381,391
Prepaid assets	36,171	40,983
Furniture and equipment, net of accumulated depreciation of \$69,230 and \$37,037 in 2010 and 2009, respectively	39,896	51,316
Total assets	<u>\$ 1,444,718</u>	<u>2,845,665</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 32,370	38,583
Deferred income	21,889	9,700
Grants payable, net (note 4)	385,874	1,044,087
	<u>440,133</u>	<u>1,092,370</u>
Net assets:		
Unrestricted	7,838	32,500
Temporarily restricted (note 9)	996,747	1,720,795
Total net assets	<u>1,004,585</u>	<u>1,753,295</u>
Total liabilities and net assets	<u>\$ 1,444,718</u>	<u>2,845,665</u>

See accompanying notes to financial statements.

TOUCH FOUNDATION, INC.

Statement of Activities

Year ended June 30, 2010

(With summarized financial information for the year ended June 30, 2009)

	2010			2009 total
	Unrestricted	Temporarily restricted	Total	
Revenues and public support<				
Contributions (notes 3 and 6)	\$ 1,576,008	—	1,576,008	3,799,436
Government grants	755,394	—	755,394	841,606
Donated goods and services (notes 5 and 6)	1,410,067	—	1,410,067	1,297,540
Donated stock (note 5)	2,702	—	2,702	205,852
	<u>3,744,171</u>	<u>—</u>	<u>3,744,171</u>	<u>6,144,434</u>
Special event income	116,472	—	116,472	161,026
Direct benefit to donors	(74,529)	—	(74,529)	(176,077)
Net special event income (loss)	41,943	—	41,943	(15,051)
Investment (loss) income, net	(2,690)	—	(2,690)	19,242
Total revenues and public support before net assets released from restrictions	3,783,424	—	3,783,424	6,148,625
Net assets released from restrictions	724,048	(724,048)	—	—
Total revenues and public support	<u>4,507,472</u>	<u>(724,048)</u>	<u>3,783,424</u>	<u>6,148,625</u>
Expenses:				
Grant and program activities (note 4)	3,226,900	—	3,226,900	5,082,015
Supporting services:				
Management and general	537,326	—	537,326	767,424
Fund-raising	767,908	—	767,908	1,145,760
Total supporting services	<u>1,305,234</u>	<u>—</u>	<u>1,305,234</u>	<u>1,913,184</u>
Total expenses	<u>4,532,134</u>	<u>—</u>	<u>4,532,134</u>	<u>6,995,199</u>
Change in net assets	(24,662)	(724,048)	(748,710)	(846,574)
Net assets:				
Beginning of year	32,500	1,720,795	1,753,295	2,599,869
End of year	<u>\$ 7,838</u>	<u>996,747</u>	<u>1,004,585</u>	<u>1,753,295</u>

See accompanying notes to financial statements.

TOUCH FOUNDATION, INC.

Statement of Cash Flows

Year ended June 30, 2010

(With comparative amounts for the year ended June 30, 2009)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ (748,710)	(846,574)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	32,193	26,578
Donated stock	(2,702)	(205,852)
Net realized and unrealized loss (gain) on investment	86	(1,612)
Decrease (increase) in:		
Contributions and grants receivables, net	1,350,851	(338,654)
Prepaid assets	4,812	(11,625)
(Decrease) increase in:		
Accounts payable and accrued expenses	(6,213)	(508,835)
Deferred income	12,189	9,700
Grants payable, net	(658,213)	85,725
Net cash used in operating activities	<u>(15,707)</u>	<u>(1,791,149)</u>
Cash flows from investing activities:		
Acquisition of furniture and equipment	(20,773)	(42,009)
Proceeds from sale of donated stock	2,616	207,464
Net cash (used in) provided by investing activities	<u>(18,157)</u>	<u>165,455</u>
Net decrease in cash and cash equivalents	(33,864)	(1,625,694)
Cash and cash equivalents:		
Beginning of year	<u>371,975</u>	<u>1,997,669</u>
End of year	<u>\$ 338,111</u>	<u>371,975</u>

See accompanying notes to financial statements.

TOUCH FOUNDATION, INC.

Notes to Financial Statements

June 30, 2010

(With comparative amounts at June 30, 2009)

(1) Organization

Touch Foundation, Inc. (the Foundation or Touch) is a not-for-profit public charity organization formed under the laws of the State of Connecticut that began operations in August 2004. The Foundation is working to address health system capacity issues principally in Tanzania. Its objective is to enable Tanzanians to produce adequate numbers of health workers and implement high priority health system improvements. While working in Tanzania to develop and implement an effective approach, the Foundation is committed to collecting, codifying, and disseminating the knowledge generated by its work so that it can be used to replicate solutions elsewhere.

(2) Summary of Significant Accounting Policies

(a) *Basis of Accounting*

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting.

(b) *Net Asset Classifications*

The Foundation reports information regarding its financial position and activities according to two classes of net assets as follows:

- Temporarily restricted net assets contain donor-imposed restrictions that permit the Foundation to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by action of the Foundation.
- Unrestricted net assets are not subject to donor-imposed restrictions.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expiration of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) except for those restrictions met in the same year as received, which are reported as revenues of the unrestricted net assets, are reported as net assets released from restrictions.

(c) *Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand and money market accounts with an original maturity of three months or less.

(d) *Government Grants*

Government grants are recognized as earned, as the related costs are incurred under the grant agreements.

TOUCH FOUNDATION, INC.

Notes to Financial Statements

June 30, 2010

(With comparative amounts at June 30, 2009)

(e) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made in the preparation of the financial statements include the net realizable value of contributions and grants receivables and functional expense allocations. Actual results could differ from those estimates.

(f) Comparative Information

The statement of activities includes summarized comparative information for the year ended June 30, 2009. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

(g) Functional Allocation of Expenses

The costs of providing the Foundation's programs and supporting services have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the program and supporting services based on estimates determined by management.

(h) Contributions and Contributions Receivable

Contributions to the Foundation are recognized as revenue upon receipt of either cash or other assets or of unconditional promises to give (pledges). Contributions, primarily obtained from individuals in the United States, are considered available for unrestricted use unless specifically restricted by the donor. Donated services and goods are reported at their fair values, as both revenue and expense, in the accompanying statement of activities.

Unconditional promises to give (pledges) that are expected to be collected within one year are recorded at their net realizable value. Unconditional contributions that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-adjusted interest rate applicable to the year in which the promise to give is received. Management evaluates the contributions receivable for purposes of establishing an allowance for doubtful accounts. Contributions receivable are written off if and when deemed uncollectible.

(i) Furniture and Equipment

Furniture and equipment are stated at cost. Depreciation is calculated by using the straight-line method over the estimated useful lives of the assets, ranging from three to five years.

TOUCH FOUNDATION, INC.

Notes to Financial Statements

June 30, 2010

(With comparative amounts at June 30, 2009)

(j) *Income Taxes*

The Foundation is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income tax has been recorded in the accompanying financial statements. The Foundation is also exempt from New York and Connecticut income taxes under the related state provisions. Management believes that the Foundation will continue to be exempted from tax.

In 2010, the Foundation adopted Accounting Standards Update (ASU) 2009-06, *Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities*, in conjunction with its adoption of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (now included in ASC Subtopic 740-10, *Income Taxes – Overall*). FASB Interpretation No. 48 addresses the accounting for uncertainties in income taxes recognized in an organization's financial statements and prescribes a threshold of more-likely than-not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. There was no significant impact to the Foundation's financial statements as a result of the adoption of this guidance.

(k) *Grants*

Grants are recorded when approved by the board of directors and all conditions are met. Grants that are expected to be paid in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using a risk-adjusted interest rate applicable to the year the grant was approved.

(3) **Contributions and Grants Receivables**

The Foundation's contributions and grants receivables of \$1,030,540 and \$2,381,391 at June 30, 2010 and 2009, respectively, are expected to be collected within one year. Contributions and grants receivables from two donors, including a U.S. government agency, accounted for approximately 87% of the total contributions and grants receivable balance for the year ended June 30, 2010. Four donors accounted for approximately 64% of contributions and grants recognized for the year ended June 30, 2010.

(4) **Grant Expenses and Payable**

Since 2005, the Foundation has been supporting certain operating and capital expenses of Weill Bugando University College of Health Sciences (WBUCHS). Commitment to continue the support is renewed annually and is conditional on the Foundation raising such funds and WBUCHS providing appropriate evidence of need and prior expenditures. Total amounts granted under this commitment totaled \$902,184 and \$1,675,534 for years ended June 30, 2010 and 2009, respectively. As of June 30, 2010, \$49,092 remained payable to WBUCHS.

During July 2006, the Foundation entered into an affiliated grant agreement with Joan and Sanford I. Weill Medical College and Graduate School of Medical Sciences (WCMC) to support the WCMC-Touch Weill Bugando Program within WBUCHS. The amount granted was approximately \$1,033,000 payable over a three-year period with a renewal option, upon consent of both parties. The term of this agreement was subsequently extended to June 30, 2011. The Foundation provides certain funding to WCMC-Touch Weill

TOUCH FOUNDATION, INC.

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June 30, 2010

(With comparative amounts at June 30, 2009)

Bugando Program based on appropriate evidence of need and expenditure. As of June 30, 2010, \$330,062 remained payable to WCMC.

In January 2008, Touch entered into an agreement with Abbott Fund for the training of lab technicians at WBUCHS as well as the upgrade of lab services at regional lab facilities including the lab at Bugando Medical Centre (BMC). This agreement was extended in January 2009 to include additional lab facilities. Total amount expended under this agreement amounted to \$1,931,674 (\$393,776 in 2010). As of June 30, 2010, \$6,720 remained payable.

Amounts promised by the Foundation at June 30, 2010 and 2009 have been recorded as grants payable. The Foundation's grants payable are expected to be paid as follows at June 30, 2010 and 2009:

	2010	2009
Payable:		
Within one year	\$ 385,874	829,187
One to three years	—	217,314
	385,874	1,046,501
Present value reduction of grants due in excess of one year (discounted at 0.56% in 2009)	—	(2,414)
	\$ 385,874	1,044,087

(5) Donated Goods and Services

Contributions of services are recognized by the Foundation as both revenues and expenses if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated.

Donated goods and services consisted of the following at June 30, 2010 and 2009:

	2010	2009
Faculty and medical services	\$ 1,031,000	965,000
Consulting services	69,491	15,355
Legal services	105,216	122,026
Use of facilities	145,569	179,909
Medical equipment and supplies	100	660
Auction items	12,691	14,590
Special event venue and catering	46,000	—
	\$ 1,410,067	1,297,540

In addition, the Foundation received donated stock of \$2,702 and \$205,852 for the years ended June 30, 2010 and 2009, respectively.

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Notes to Financial Statements

June 30, 2010

(With comparative amounts at June 30, 2009)

(6) Related-Party Transactions

Facilities and services donated by McKinsey & Company (McKinsey) amounted to approximately \$207,000 and \$144,000 for the years ended June 30, 2010 and 2009, respectively. Two directors of McKinsey are trustees of the Foundation, one of which is also the President of the Foundation.

Legal services donated by Stroock & Stroock & Lavan LLP (Stroock), amounting to approximately \$105,000 and \$122,000 for the years ended June 30, 2010 and 2009, respectively, consisted of advice on organizational and board matters, governance issues, tax compliance, grant-making, agreements, intellectual property, fund-raising, and employment issues. A partner of Stroock is a trustee of the Foundation and a special counsel of Stroock is the Secretary of the Foundation.

Contributions received from the members of the Board of Directors amounted to approximately \$596,000 and \$2,577,000 for the years ended June 30, 2010 and 2009, respectively. Contributions receivable from these related parties amounted to approximately \$744,000 and \$1,250,000, net of discount at June 30, 2010 and 2009, respectively.

(7) Concentrations

Cash held by Citibank, N.A. that exceeds the Federal Deposit Insurance Corporation (FDIC) limits exposes the Foundation to a concentration of credit risk. Balances throughout the years ended June 30, 2010 and 2009 exceeded the FDIC limit.

(8) Employee Benefit Plan

The Foundation sponsors a 401(k) profit-sharing plan for all eligible employees. Contributions to the plan are determined pursuant to a formula. Total contributions made on behalf of the employees amounted to \$16,807 and \$24,104 for the years ended June 30, 2010 and 2009, respectively.

(9) Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2010 and 2009 are restricted for the following:

	<u>2010</u>	<u>2009</u>
WBUCHS operations and infrastructure	\$ 312,418	892,447
WCMC-Touch Weill Bugando Program	684,329	442,154
Touch Abbott Lab Program	—	386,194
	<u>\$ 996,747</u>	<u>1,720,795</u>

TOUCH FOUNDATION, INC.

Notes to Financial Statements

June 30, 2010

(With comparative amounts at June 30, 2009)

(10) Subsequent Events

In connection with the preparation of the financial statements, the Foundation evaluated subsequent events through February 7, 2011, which was the date the financial statements were available for issuance. On September 30, 2010, the U.S. Agency for International Development (USAID) Office of American Schools and Hospital Abroad (ASHA) awarded the Foundation a \$450,000 grant to be expended before March 31, 2014, for the construction and equipment of the Bugando mortuary and dissecting laboratory.

TOUCH FOUNDATION, INC.

Statement of Functional Expenses

Year ended June 30, 2010

(With summarized financial information for the year ended June 30, 2009)

	2010				2010 Expenses	2009 Total
	Program services	Supporting services		Subtotal		
		Management and general	Fund-raising			
Grants	\$ 1,295,960	—	—	—	1,295,960	2,464,019
Donated goods and services	1,146,910	124,969	138,188	263,157	1,410,067	1,297,540
Salaries and related expenses	528,450	297,485	481,574	779,059	1,307,509	2,247,832
Travel	141,168	21,959	32,310	54,269	195,437	313,109
Professional and consulting fees	19,958	75,708	28,197	103,905	123,863	316,229
Telephone	14,769	7,110	9,157	16,267	31,036	81,498
Printing, publications, and postage	49,050	840	3,740	4,580	53,630	57,628
Office supplies and other miscellaneous	5,485	7,504	17,859	25,363	30,848	52,994
Maintenance	333	90	14,271	14,361	14,694	17,466
Depreciation	23,646	605	7,942	8,547	32,193	26,578
Insurance	1,171	1,056	628	1,684	2,855	2,780
Special events	—	—	34,042	34,042	34,042	117,526
Total expenses	\$ 3,226,900	537,326	767,908	1,305,234	4,532,134	6,995,199

See accompanying independent auditors' report.