



TOUCH FOUNDATION, INC.

Financial Statements

Three months ended September 30, 2011 and
twelve months ended June 30, 2011

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Trustees
Touch Foundation, Inc.:

We have audited the accompanying statements of financial position of Touch Foundation, Inc. (the Foundation) as of September 30, 2011 and June 30, 2011, and the related statements of activities and cash flows for the three months ended September 30, 2011 and twelve months ended June 30, 2011. 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 audits. The prior year's summarized comparative information as of and for the year ended June 30, 2010 has been derived from the Foundation's 2010 financial statements, and in our report dated February 7, 2011 we expressed an unqualified opinion on those financial statements.

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 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 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 Touch Foundation, Inc. as of September 30, 2011 and June 30, 2011, and the changes in its net assets and its cash flows for the three months ended September 30, 2011 and twelve months ended June 30, 2011, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic 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 audits 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.

KPMG LLP

June 7, 2012

TOUCH FOUNDATION, INC.

Statements of Financial Position

September 30, 2011 and June 30, 2011
(with comparative amounts at June 30, 2010)

Assets	September 30, 2011	June 30, 2011	June 30, 2010
Cash and cash equivalents	\$ 371,521	721,512	338,111
Contributions and grants receivables, net (notes 3 and 6)	807,529	481,301	1,030,540
Prepaid assets	36,048	45,782	36,171
Furniture and equipment, net of accumulated depreciation	6,717	8,666	39,896
Total assets	<u>\$ 1,221,815</u>	<u>1,257,261</u>	<u>1,444,718</u>
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	\$ 51,767	61,030	32,370
Deferred income	51,914	90,268	21,889
Grants payable, net (note 4)	128,137	237,692	385,874
	<u>231,818</u>	<u>388,990</u>	<u>440,133</u>
Net assets:			
Unrestricted	18,849	27,446	7,838
Temporarily restricted (note 9)	971,148	840,825	996,747
Total net assets	<u>989,997</u>	<u>868,271</u>	<u>1,004,585</u>
Total liabilities and net assets	<u>\$ 1,221,815</u>	<u>1,257,261</u>	<u>1,444,718</u>

See accompanying notes to financial statements.

TOUCH FOUNDATION, INC.

Statements of Activities

Three months ended September 30, 2011 and twelve months ended June 30, 2011
(with summarized financial information for the twelve months ended June 30, 2010)

	3 months ended September 30, 2011			12 months ended June 30, 2011			June 30, 2010
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total	Total
Revenues and public support:							
Contributions (notes 3 and 6)	\$ 444,805	150,000	594,805	1,254,972	—	1,254,972	1,576,008
Government grants	199,707	—	199,707	1,260,146	—	1,260,146	755,394
Donated goods and services (note 5)	188,739	—	188,739	1,238,330	—	1,238,330	1,410,067
Donated stock	—	—	—	20,377	—	20,377	2,702
	<u>833,251</u>	<u>150,000</u>	<u>983,251</u>	<u>3,773,825</u>	<u>—</u>	<u>3,773,825</u>	<u>3,744,171</u>
Special event income	28,126	—	28,126	311,128	—	311,128	116,472
Direct benefit to donors	(3,945)	—	(3,945)	(88,394)	—	(88,394)	(74,529)
Net special event income	<u>24,181</u>	<u>—</u>	<u>24,181</u>	<u>222,734</u>	<u>—</u>	<u>222,734</u>	<u>41,943</u>
Investment income (loss), net	428	—	428	2,431	—	2,431	(2,690)
Total revenues and public support before net assets released from restrictions	<u>857,860</u>	<u>150,000</u>	<u>1,007,860</u>	<u>3,998,990</u>	<u>—</u>	<u>3,998,990</u>	<u>3,783,424</u>
Net assets released from restrictions	19,677	(19,677)	—	155,922	(155,922)	—	—
Total revenues and public support	<u>877,537</u>	<u>130,323</u>	<u>1,007,860</u>	<u>4,154,912</u>	<u>(155,922)</u>	<u>3,998,990</u>	<u>3,783,424</u>
Expenses:							
Grant and program activities (note 4)	601,579	—	601,579	2,897,333	—	2,897,333	3,226,900
Supporting services:							
Management and general	177,885	—	177,885	660,058	—	660,058	537,326
Fund-raising	106,670	—	106,670	577,913	—	577,913	767,908
Total supporting services	<u>284,555</u>	<u>—</u>	<u>284,555</u>	<u>1,237,971</u>	<u>—</u>	<u>1,237,971</u>	<u>1,305,234</u>
Total expenses	<u>886,134</u>	<u>—</u>	<u>886,134</u>	<u>4,135,304</u>	<u>—</u>	<u>4,135,304</u>	<u>4,532,134</u>
Change in net assets	(8,597)	130,323	121,726	19,608	(155,922)	(136,314)	(748,710)
Net assets:							
Beginning of period	27,446	840,825	868,271	7,838	996,747	1,004,585	1,753,295
End of period	<u>\$ 18,849</u>	<u>971,148</u>	<u>989,997</u>	<u>27,446</u>	<u>840,825</u>	<u>868,271</u>	<u>1,004,585</u>

See accompanying notes to financial statements.

TOUCH FOUNDATION, INC.

Statements of Cash Flows

Three months ended September 30, 2011 and twelve months ended June 30, 2011
(with comparative amounts for the twelve months ended June 30, 2010)

	September 30, 2011	June 30, 2011	June 30, 2010
Cash flows from operating activities:			
Change in net assets	\$ 121,726	(136,314)	(748,710)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:			
Depreciation	1,949	31,230	32,193
Donated stock	—	(20,377)	(2,702)
Net realized and unrealized (gain) loss on investment	—	(91)	86
Decrease (increase) in:			
Contributions and grants receivables, net	(326,228)	549,239	1,350,851
Prepaid assets	9,734	(9,611)	4,812
Increase (decrease) in:			
Accounts payable and accrued expenses	(9,263)	28,660	(6,213)
Deferred income	(38,354)	68,379	12,189
Grants payable, net	(109,555)	(148,182)	(658,213)
Net cash (used in) provided by operating activities	(349,991)	362,933	(15,707)
Cash flows from investing activities:			
Acquisition of furniture and equipment	—	—	(20,773)
Proceeds from sale of donated stock	—	20,468	2,616
Net cash provided by (used in) investing activities	—	20,468	(18,157)
Net (decrease) increase in cash and cash equivalents	(349,991)	383,401	(33,864)
Cash and cash equivalents:			
Beginning of period	721,512	338,111	371,975
End of period	\$ 371,521	721,512	338,111

See accompanying notes to financial statements.

TOUCH FOUNDATION, INC.

Notes to Financial Statements

Three months ended September 30, 2011 and
twelve months ended June 30, 2011
(with comparative amounts at June 30, 2010)

(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.

During 2011, the Foundation's board of directors elected to change the fiscal year-end of the Foundation from June 30 to September 30, to better align their fiscal year-end with grant reporting requirements.

(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 initial 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

Three months ended September 30, 2011 and
twelve months ended June 30, 2011
(with comparative amounts at June 30, 2010)

(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 determining the net realizable value of contributions and grants receivable and functional expense allocations. Actual results could differ from those estimates.

(f) *Comparative Information*

The statement of activities includes the summarized comparative information for the year ended June 30, 2010. 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, 2010, 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. 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

Three months ended September 30, 2011 and
twelve months ended June 30, 2011
(with comparative amounts at June 30, 2010)

(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.

The Foundation follows the provisions of Accounting Standards Codification 740, *Income Taxes*, which addresses the accounting for, and disclosure of, uncertain tax positions and prescribes a threshold of more likely than not for recognition and de-recognition of tax positions taken or expected to be taken in a tax return.

(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.

(3) **Contributions and Grants Receivables**

The Foundation's contributions and grants receivables are expected to be collected within one year. Contributions and grants receivables from three donors accounted for approximately 90% and 92% of the total contributions and grants receivable balance at September 30, 2011 and June 30, 2011, respectively. Four donors, including a U.S. government agency, accounted for approximately 72% and 75% of contributions and grants revenue recognized for the three months ended September 30, 2011 and the twelve months ended June 30, 2011, respectively.

(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 agreement totaled \$212,149 and \$914,457, for the periods ended September 30, 2011, and June 30, 2011, and \$902,184 for the 12 months ended June 30, 2010, respectively. As of September 30, 2011 and June 30, 2011, \$49,092 and \$119,092 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, 2014. The Foundation provides certain funding to the WCMC-Touch Weill Bugando Program based on appropriate evidence of need and expenditure. As of September 30, 2011 and June 30, 2011, \$72,325 and \$111,880, respectively, remained payable to WCMC.

TOUCH FOUNDATION, INC.

Notes to Financial Statements

Three months ended September 30, 2011 and
twelve months ended June 30, 2011
(with comparative amounts at June 30, 2010)

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. The total amount expended under this agreement amounted to \$1,931,674 through 18 months ended September 30, 2011. As of September 30, 2011 and June 30, 2011, \$6,720 remained payable to BMC.

Amounts promised by the Foundation at September 30, 2011 and June 30, 2011 have been recorded as grants payable. The Foundation's grants payable at September 30, 2011 and June 30, 2011 are expected to be paid within one year.

(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 for the three and twelve months ended September 30, 2011 and June 30, 2011, respectively and year ended June 30, 2010:

	<u>September 30,</u> <u>2011</u>	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2010</u>
Professional services	\$ 141,647	1,086,221	1,205,707
Materials and supplies	7,190	33,996	57,029
Facilities	22,160	88,640	88,640
Accommodation	10,512	20,148	—
Special event venue, catering, and goods	7,230	9,325	58,691
	<u>\$ 188,739</u>	<u>1,238,330</u>	<u>1,410,067</u>

(6) Related-Party Transactions

Facilities and services donated by McKinsey & Company (McKinsey) amounted to approximately \$31,000, \$157,000 and \$207,000 for the periods ended September 30, 2011, June 30, 2011, and June 30, 2010, respectively. Two directors of McKinsey are trustees of the Foundation, one of whom is also the President of the Foundation.

Legal services donated by Stroock & Stroock & Lavan LLP (Stroock), amounting to approximately \$43,000, \$148,000 and \$105,000 for the periods ended September 30, 2011, June 30, 2011, and June 30, 2010, 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 and a special counsel of Stroock is the Secretary of the Foundation.

TOUCH FOUNDATION, INC.

Notes to Financial Statements

Three months ended September 30, 2011 and
twelve months ended June 30, 2011
(with comparative amounts at June 30, 2010)

Contributions received from the members of the board of directors amounted to approximately \$250,000, \$447,000, and \$596,000 for the three months ended September 30, 2011, twelve months ended June 30, 2011, and for the year ended June 30, 2010, respectively. Contributions receivable from these related parties amounted to approximately \$582,000, \$357,000, and \$744,000, net of discount at September 30, 2011, June 30, 2011, and June 30, 2010, 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 periods ended September 30, 2011, June 30, 2011 and June 30, 2010 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 \$3,285, \$13,812 and \$16,807 for the three months ended September 30, 2011, twelve months ended June 30, 2011, and for the year ended June 30, 2010, respectively.

(9) Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30, 2011, June 30, 2011, and June 30, 2010 are restricted for the following:

	<u>September 30, 2011</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
WBUCHS operations and infrastructure	\$ 300,422	300,422	312,418
WCMC-Touch Weill Bugando Program	520,726	540,403	684,329
Treat & Train Program	150,000	—	—
	<u>\$ 971,148</u>	<u>840,825</u>	<u>996,747</u>

(10) Subsequent Events

In connection with the preparation of the financial statements, the Foundation evaluated subsequent events through June 7, 2012, which was the date the financial statements were available for issuance, and determined that no additional disclosures are required.

TOUCH FOUNDATION, INC.

Statement of Functional Expenses

Three months ended September 30, 2011
and twelve months ended June 30, 2011

September 30, 2011					
Supporting services					
	Program services	Management and general	Fund-raising	Subtotal	Total
Grants	\$ 212,149	—	—	—	212,149
Donated goods and services	129,935	40,133	18,671	58,804	188,739
Salaries and related expenses	213,482	123,485	71,207	194,692	408,174
Travel	30,766	4,928	2,616	7,544	38,310
Professional and consulting fees	5,037	5,991	4,152	10,143	15,180
Telephone	3,855	1,102	822	1,924	5,779
Printing, publications and postage	5,750	495	208	703	6,453
Office supplies and other miscellaneous	388	494	359	853	1,241
Maintenance	115	498	2,047	2,545	2,660
Depreciation	102	63	1,784	1,847	1,949
Insurance	—	696	—	696	696
Special events	—	—	4,804	4,804	4,804
Total expenses	<u>\$ 601,579</u>	<u>177,885</u>	<u>106,670</u>	<u>284,555</u>	<u>886,134</u>
June 30, 2011					
Supporting services					
	Program services	Management and general	Fund-raising	Subtotal	Total
Grants	\$ 914,457	—	—	—	914,457
Donated goods and services	1,020,558	130,786	86,986	217,772	1,238,330
Salaries and related expenses	599,344	403,163	384,810	787,973	1,387,317
Travel	197,050	12,277	6,992	19,269	216,319
Professional and consulting fees	123,684	80,982	24,021	105,003	228,687
Telephone	14,419	7,303	4,864	12,167	26,586
Printing, publications and postage	310	1,580	1,272	2,852	3,162
Office supplies and other miscellaneous	2,634	20,010	9,690	29,700	32,334
Maintenance	1,715	540	9,501	10,041	11,756
Depreciation	23,162	465	7,603	8,068	31,230
Insurance	—	2,952	—	2,952	2,952
Special events	—	—	42,174	42,174	42,174
Total expenses	<u>\$ 2,897,333</u>	<u>660,058</u>	<u>577,913</u>	<u>1,237,971</u>	<u>4,135,304</u>

See accompanying independent auditors' report.