



**TOUCH FOUNDATION, INC.**

Financial Statements

September 30, 2012

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

(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 September 30, 2012, 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 as of and for the three months ended September 30, 2011 and as of and for the twelve months ended June 30, 2011 has been derived from the Foundation's 2011 financial statements, and in our report dated June 7, 2012, 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 September 30, 2012, 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 conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**KPMG LLP**

April 11, 2013

**TOUCH FOUNDATION, INC.**

Statement of Financial Position

September 30, 2012

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

<b>Assets</b>	<b>September 30</b>		<b>June 30,</b>
	<b>2012</b>	<b>2011</b>	<b>2011</b>
Cash and cash equivalents	\$ 739,451	371,521	721,512
Contributions and grants receivables, net (notes 3 and 6)	527,355	807,529	481,301
Prepaid assets	49,425	36,048	45,782
Furniture and equipment, net of accumulated depreciation	653	6,717	8,666
Total assets	\$ <u>1,316,884</u>	<u>1,221,815</u>	<u>1,257,261</u>
<b>Liabilities and Net Assets</b>			
Liabilities:			
Accounts payable and accrued expenses	\$ 79,529	51,767	61,030
Deferred income	167,028	51,914	90,268
Grants payable, net (note 4)	142,444	128,137	237,692
	<u>389,001</u>	<u>231,818</u>	<u>388,990</u>
Net assets:			
Unrestricted	70,228	18,849	27,446
Temporarily restricted (note 9)	857,655	971,148	840,825
Total net assets	<u>927,883</u>	<u>989,997</u>	<u>868,271</u>
Total liabilities and net assets	\$ <u>1,316,884</u>	<u>1,221,815</u>	<u>1,257,261</u>

See accompanying notes to financial statements.

**TOUCH FOUNDATION, INC.**

Statement of Activities

Year ended September 30, 2012

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

	<b>September 30, 2012</b>			<b>September 30,</b>	<b>June 30,</b>
	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Total</b>	<b>2011</b>	<b>2011</b>
				<b>Total</b>	<b>Total</b>
Revenues and public support:					
Contributions (notes 3 and 6)	\$ 736,541	149,717	886,258	594,805	1,254,972
Government grants	1,903,013	—	1,903,013	199,707	1,260,146
Donated goods and services (note 5 and 6)	1,102,800	—	1,102,800	188,739	1,238,330
Donated stock	3,344	—	3,344	—	20,377
	<u>3,745,698</u>	<u>149,717</u>	<u>3,895,415</u>	<u>983,251</u>	<u>3,773,825</u>
Special event income	304,000	—	304,000	28,126	311,128
Direct benefit to donors	(50,465)	—	(50,465)	(3,945)	(88,394)
Net special event income	253,535	—	253,535	24,181	222,734
Investment income, net	614	—	614	428	2,431
Total revenues and public support before net assets released from restrictions	3,999,847	149,717	4,149,564	1,007,860	3,998,990
Net assets released from restrictions	263,210	(263,210)	—	—	—
Total revenues and public support	<u>4,263,057</u>	<u>(113,493)</u>	<u>4,149,564</u>	<u>1,007,860</u>	<u>3,998,990</u>
Expenses:					
Grants and program activities (note 4)	2,891,702	—	2,891,702	601,579	2,897,333
Supporting services:					
Management and general	853,959	—	853,959	177,885	660,058
Fund-raising	466,017	—	466,017	106,670	577,913
Total supporting services	<u>1,319,976</u>	<u>—</u>	<u>1,319,976</u>	<u>284,555</u>	<u>1,237,971</u>
Total expenses	<u>4,211,678</u>	<u>—</u>	<u>4,211,678</u>	<u>886,134</u>	<u>4,135,304</u>
Change in net assets	51,379	(113,493)	(62,114)	121,726	(136,314)
Net assets:					
Beginning of period	18,849	971,148	989,997	868,271	1,004,585
End of period	<u>\$ 70,228</u>	<u>857,655</u>	<u>927,883</u>	<u>989,997</u>	<u>868,271</u>

See accompanying notes to financial statements.

**TOUCH FOUNDATION, INC.**

Statement of Cash Flows

Year ended September 30, 2012

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

	<b>September 30</b>		<b>June 30,</b>
	<b>2012</b>	<b>2011</b>	<b>2011</b>
Cash flows from operating activities:			
Change in net assets	\$ (62,114)	121,726	(136,314)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation	6,064	1,949	31,230
Donated stock	—	—	(20,377)
Net realized and unrealized gain on investment	—	—	(91)
Decrease (increase) in:			
Contributions and grants receivables, net	280,174	(326,228)	549,239
Prepaid assets	(13,377)	9,734	(9,611)
Increase (decrease) in:			
Accounts payable and accrued expenses	27,762	(9,263)	28,660
Deferred income	115,114	(38,354)	68,379
Grants payable, net	14,307	(109,555)	(148,182)
Net cash provided by (used in) operating activities	367,930	(349,991)	362,933
Cash flows from investing activity:			
Proceeds from sale of donated stock	—	—	20,468
Net cash provided by investing activity	—	—	20,468
Net increase (decrease) in cash and cash equivalents	367,930	(349,991)	383,401
Cash and cash equivalents:			
Beginning of period	371,521	721,512	338,111
End of period	\$ 739,451	371,521	721,512

See accompanying notes to financial statements.

# TOUCH FOUNDATION, INC.

## Notes to Financial Statements

September 30, 2012

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

### (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 improve the health of the Tanzanian population by enhancing their access to essential quality healthcare. The Foundation seeks to achieve this by improving the quality and quantity of the healthcare workforce by training skilled health workers such as physicians, nurses and lab technicians and helping retain them in the system, and also by improving the healthcare delivery mechanisms that enable the trained workers to treat patients.

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 and public support are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions, in which case they are recognized as increases in restricted net assets. 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

September 30, 2012

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

**(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 three months ended September 30, 2011 and twelve months ended June 30, 2011. 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 three months ended September 30, 2011 and twelve months ended June 30, 2011, 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

September 30, 2012

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

#### **(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 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 five donors accounted for approximately 57% and from three donors for approximately 90% and 92% of the total contributions and grants receivable balance at September 30, 2012, September 30, 2011, and June 30, 2011, respectively. Four donors, including a U.S. government agency, accounted for approximately 84%, 72%, and 75% of contributions and grants revenue recognized for the year ended September 30, 2012, three months ended September 30, 2011 and 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 Catholic University of Health and Allied Sciences (CUHAS), formerly known as Weill Bugando University College of Health Sciences. Commitment to continue the support is renewed annually and is conditional on the Foundation raising such funds and CUHAS providing appropriate evidence of need and prior expenditures. Total amounts granted under this agreement totaled \$586,287 for the year ended September 30, 2012. As of September 30, 2012, \$49,092 remained payable to CUHAS.

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 CUHAS. 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. Total amounts granted under this agreement totaled \$161,718 for the year ended September 30, 2012. As of September 30, 2012, \$26,978 remained payable to WCMC.



## TOUCH FOUNDATION, INC.

### Notes to Financial Statements

September 30, 2012

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

In January 2008, Touch entered into an agreement with Abbott Fund for the training of lab technicians at CUHAS 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 amounts granted under this agreement totaled \$109,124 for the year ended September 30, 2012. As of September 30, 2012, no amount remained payable to BMC.

In August 2012, Touch entered into an agreement with Rush University Medical Center (RUSH) to provide curriculum design, faculty development services, and implement a fellowship program at BMC as part of its Health Care Management Program. Total amounts granted under this agreement totaled \$13,484 for the year ended September 30, 2012. As of September 30, 2012, no amount remained payable to RUSH.

In June 2012, Touch entered into an agreement with Baylor College of Medicine (Baylor College) and its affiliate, Baylor Foundation, to provide medical training services and logistical support as part of its Treat and Train Program. Total amounts granted under this agreement totaled \$66,374 for the year ended September 30, 2012. As of September 30, 2012, \$66,374 remained payable to Baylor College and Baylor Foundation.

#### (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 year ended September 30, 2012, three months ended September 30, 2011 and twelve months ended June 30, 2011:

	<u>September 30</u>		<u>June 30,</u>
	<u>2012</u>	<u>2011</u>	<u>2011</u>
Professional services	\$ 977,516	141,647	1,086,221
Materials and supplies	12,726	7,190	33,996
Facilities	88,640	22,160	88,640
Accommodation	23,918	10,512	20,148
Special event venue, catering, and goods	—	7,230	9,325
	<u>\$ 1,102,800</u>	<u>188,739</u>	<u>1,238,330</u>

#### (6) Related-Party Transactions

Facilities and services donated by McKinsey & Company (McKinsey) amounted to approximately \$106,000, \$31,000, and \$157,000 for the year ended September 30, 2012, three months ended September 30, 2011 and twelve months ended June 30, 2011, respectively. One trustee of the Foundation was a director of McKinsey for the entirety of 2012, and another, who is also the President of the Foundation, was a director of McKinsey until January of 2012, and has held the title Director Emeritus since January 2012.

## TOUCH FOUNDATION, INC.

### Notes to Financial Statements

September 30, 2012

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

Legal services donated by Stroock & Stroock & Lavan LLP (Stroock), amounting to approximately \$394,000, \$43,000, and \$148,000 for the year ended September 30, 2012, three months ended September 30, 2011 and twelve months ended June 30, 2011, 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.

Contributions received from the members of the board of directors amounted to approximately \$209,000, \$250,000, and \$447,000 for the year ended September 30, 2012, three months ended September 30, 2011 and twelve months ended June 30, 2011, respectively. Contributions receivable from these related parties amounted to approximately \$285,000, \$582,000, and \$357,000 at September 30, 2012, September 30, 2011, and June 30, 2011, 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 year ended September 30, 2012, three months ended September 30, 2011 and twelve months ended June 30, 2011, respectively, 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 \$16,068, \$3,285 and \$13,812 for the year ended September 30, 2012, three months ended September 30, 2011 and twelve months ended June 30, 2011, respectively.

#### (9) Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30, 2012, September 30, 2011, and June 30, 2011 are restricted for the following:

	<u>September 30</u>		<u>June 30,</u>
	<u>2012</u>	<u>2011</u>	<u>2011</u>
CUHAS Operations and Infrastructure	\$ 300,097	300,422	300,422
WCMC-Touch Weill Bugando Program	316,805	520,726	540,403
Treat and Train Program	240,753	150,000	—
	<u>\$ 857,655</u>	<u>971,148</u>	<u>840,825</u>

#### (10) Subsequent Events

In connection with the preparation of the financial statements, the Foundation evaluated subsequent events through April 11, 2013, 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

Year ended September 30, 2012

	Grants and program activities	Supporting services			Total
		Management and general	Fund-raising	Subtotal	
Grants	\$ 936,987	—	—	—	936,987
Donated goods and services	842,755	253,181	6,864	260,045	1,102,800
Salaries and related expenses	762,157	373,979	348,315	722,294	1,484,451
Travel	173,525	23,632	11,782	35,414	208,939
Professional and consulting fees	96,702	178,748	7,119	185,867	282,569
Telephone	10,986	5,374	4,560	9,934	20,920
Printing, publications and postage	12,956	7,471	1,063	8,534	21,490
Office supplies and other miscellaneous	4,136	4,563	11,744	16,307	20,443
Occupancy	26,453	973	—	973	27,426
Maintenance	25,045	2,455	8,515	10,970	36,015
Depreciation	—	871	5,193	6,064	6,064
Insurance	—	2,712	—	2,712	2,712
Special events	—	—	60,862	60,862	60,862
Total expenses	\$ 2,891,702	853,959	466,017	1,319,976	4,211,678

See accompanying independent auditors' report.