



TOUCH FOUNDATION, INC.

Financial Statements

September 30, 2013

(with comparative amounts at September 30, 2012)

(With Independent Auditors' Report Thereon)



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

Independent Auditors' Report

The Board of Directors
Touch Foundation, Inc.:

We have audited the accompanying financial statements of Touch Foundation, Inc. (the Foundation), which comprise the statement of financial position as of September 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013, and the changes in its net assets and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.



Report on Summarized Comparative Information

We have previously audited the Foundation's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 11, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

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

March 17, 2014

TOUCH FOUNDATION, INC.

Statement of Financial Position

September 30, 2013

(with comparative amounts at September 30, 2012)

| Assets | 2013 | 2012 |
|---|---------------------|------------------|
| Cash and cash equivalents | \$ 818,349 | 739,451 |
| Contributions and grants receivables, net (notes 3 and 6) | 912,636 | 527,355 |
| Prepaid assets | 40,368 | 49,425 |
| Furniture and equipment, net of accumulated depreciation | — | 653 |
| Total assets | <u>\$ 1,771,353</u> | <u>1,316,884</u> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 63,402 | 79,529 |
| Deferred income | 16,974 | 167,028 |
| Grants payable, net (note 4) | 292,900 | 142,444 |
| | <u>373,276</u> | <u>389,001</u> |
| Net assets: | | |
| Unrestricted | 178,410 | 70,228 |
| Temporarily restricted (note 8) | 1,219,667 | 857,655 |
| Total net assets | <u>1,398,077</u> | <u>927,883</u> |
| Total liabilities and net assets | <u>\$ 1,771,353</u> | <u>1,316,884</u> |

See accompanying notes to financial statements.

TOUCH FOUNDATION, INC.

Statement of Activities

Year ended September 30, 2013
(with comparative amounts at September 30, 2012)

| | 2013 | | | 2012 |
|--|---------------------|-----------------------------------|------------------|------------------|
| | Unrestricted | Temporarily restricted | Total | Total |
| Revenues and public support: | | | | |
| Contributions (notes 3 and 6) | \$ 951,977 | 776,100 | 1,728,077 | 889,602 |
| Government grants (note 3) | 2,965,269 | — | 2,965,269 | 1,903,013 |
| Donated goods and services (notes 5 and 6) | 1,187,252 | — | 1,187,252 | 1,102,800 |
| | <u>5,104,498</u> | <u>776,100</u> | <u>5,880,598</u> | <u>3,895,415</u> |
| Special event income | — | — | — | 304,000 |
| Direct benefit to donors | — | — | — | (50,465) |
| Net special event income | — | — | — | 253,535 |
| Investment (loss) income, net | (1,202) | — | (1,202) | 614 |
| Total revenues and public support before net assets released from restrictions | 5,103,296 | 776,100 | 5,879,396 | 4,149,564 |
| Net assets released from restrictions | 414,088 | (414,088) | — | — |
| Total revenues and public support | <u>5,517,384</u> | <u>362,012</u> | <u>5,879,396</u> | <u>4,149,564</u> |
| Expenses: | | | | |
| Grants and program activities (notes 4 and 5) | 4,313,048 | — | 4,313,048 | 2,891,702 |
| Supporting services: | | | | |
| Management and general | 745,985 | — | 745,985 | 853,959 |
| Fund-raising | 350,169 | — | 350,169 | 466,017 |
| Total supporting services | <u>1,096,154</u> | <u>—</u> | <u>1,096,154</u> | <u>1,319,976</u> |
| Total expenses | <u>5,409,202</u> | <u>—</u> | <u>5,409,202</u> | <u>4,211,678</u> |
| Change in net assets | 108,182 | 362,012 | 470,194 | (62,114) |
| Net assets: | | | | |
| Beginning of year | 70,228 | 857,655 | 927,883 | 989,997 |
| End of year | <u>\$ 178,410</u> | <u>1,219,667</u> | <u>1,398,077</u> | <u>927,883</u> |

See accompanying notes to financial statements.

TOUCH FOUNDATION, INC.

Statement of Cash Flows

Year ended September 30, 2013
(with comparative amounts at September 30, 2012)

| | <u>2013</u> | <u>2012</u> |
|---|-------------------|----------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 470,194 | (62,114) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 653 | 6,064 |
| Decrease (increase) in: | | |
| Contributions and grants receivables, net | (385,281) | 280,174 |
| Prepaid assets | 9,057 | (13,377) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | (16,127) | 27,762 |
| Deferred income | (150,054) | 115,114 |
| Grants payable, net | 150,456 | 14,307 |
| Net cash provided by operating activities | <u>78,898</u> | <u>367,930</u> |
| Net increase in cash and cash equivalents | 78,898 | 367,930 |
| Cash and cash equivalents: | | |
| Beginning of year | <u>739,451</u> | <u>371,521</u> |
| End of year | <u>\$ 818,349</u> | <u>739,451</u> |

See accompanying notes to financial statements.

TOUCH FOUNDATION, INC.

Notes to Financial Statements

September 30, 2013

(with comparative amounts at September 30, 2012)

(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.

(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 temporarily 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) Fair Value

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

TOUCH FOUNDATION, INC.

Notes to Financial Statements

September 30, 2013

(with comparative amounts at September 30, 2012)

- Level 3 inputs are unobservable inputs for the asset or liability.

The carrying amounts of the Foundation's accounts payable and accrued expenses, and grants payable approximated their fair values at September 30, 2013 because of the terms and relatively short maturities of these financial instruments. The estimated fair values, however, involve unobservable inputs considered to be Level 3 in the fair value hierarchy.

(d) *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. 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 September 30, 2013 and 2012 exceeded the FDIC limit. The Foundation has additional accounts at other banks and routinely monitors concentration risk and is prepared to move funds as appropriate.

(e) *Government Grants*

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

(f) *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.

(g) *Comparative Information*

The statement of activities includes summarized comparative information for the year ended September 30, 2012. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles because it does not include financial information by net asset category. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended September 30, 2012, from which the summarized information was derived.

(h) *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.

TOUCH FOUNDATION, INC.

Notes to Financial Statements

September 30, 2013

(with comparative amounts at September 30, 2012)

(i) 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 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.

(j) 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.

(k) 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.

(l) 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.

TOUCH FOUNDATION, INC.

Notes to Financial Statements

September 30, 2013

(with comparative amounts at September 30, 2012)

(3) Contributions and Grants Receivables

The Foundation's contributions and grants receivables are scheduled to be collected as follows at September 30, 2013 and 2012:

| | <u>2013</u> | <u>2012</u> |
|-------------------------------------|-------------------|----------------|
| Amount due in one year or less | \$ 396,536 | 527,355 |
| Amount due in 3 years | 550,000 | — |
| Net present value discount at 2.63% | (33,900) | — |
| | <u>\$ 912,636</u> | <u>527,355</u> |

Contributions and grants receivables from five donors, including a U.S. government agency, accounted for approximately 97% and 57% of the total contributions and grants receivable balance at September 30, 2013 and 2012, respectively. Five donors, including a U.S. government agency, accounted for approximately 88% and four donors, including a U.S. government agency, accounted for approximately 84% of contributions and grants revenue recognized for the years ended September 30, 2013 and 2012, respectively. The estimated fair values of contributions and grants receivables involve unobservable inputs and therefore are considered to be Level 3 in the fair value hierarchy.

(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). 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 \$450,500 for the year ended September 30, 2013. As of September 30, 2013, \$99,092 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 \$1,032,760 payable over a three-year period with a renewal option, upon consent of both parties. In 2011, the term of this agreement was extended to June 30, 2014 and the amount of the award was increased to \$1,552,760. 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 \$173,335 for the year ended September 30, 2013. As of September 30, 2013, \$13,674 remained payable to WCMC.

In April 2012, Touch entered into an agreement with Bugando Medical Centre (BMC) to collaborate with Touch on the external clinical rotation of medical professionals and students as part of its Treat and Train Program. Total amounts granted under this agreement totaled \$73,058 for the year ended September 30, 2013. As of September 30, 2013, \$38,723 remained payable to BMC.

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 \$231,777 for the year ended

TOUCH FOUNDATION, INC.

Notes to Financial Statements

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(with comparative amounts at September 30, 2012)

September 30, 2013. As of September 30, 2013, \$110,412 remained payable to Baylor College and Baylor Foundation.

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 \$230,803 for the year ended September 30, 2013. As of September 30, 2013, \$11,500 remained payable to Rush.

In August 2012, Touch entered into an agreement with the University of Calgary to organize and deliver a workshop as part of its CUHAS Faculty Development program. Total amounts granted under this agreement totaled \$4,661 for the year ended September 30, 2013. As of September 30, 2013, no amount remained payable to the University of Calgary.

In September 2012, Touch entered into an agreement with Sengerema Designated District Hospital (Sengerema) to collaborate with Touch on the external clinical rotation of medical professionals as part of its Treat and Train Program. Total amounts granted under this agreement totaled \$61,853 for the year ended September 30, 2013. As of September 30, 2013, no amount remained payable to Sengerema.

In December 2012, Touch entered into an agreement with Sekou Toure Regional Hospital (Sekou Toure) to collaborate with Touch on the external clinical rotation of medical professionals as part of its Treat and Train Program. Total amounts granted under this agreement totaled \$17,249 for the year ended September 30, 2013. As of September 30, 2013, \$1,934 remained payable to Sekou Toure.

In 2012, Touch began to administer aspects of its program through Touch Foundation (Tanzania) Limited (Touch TZ), a relationship formalized in an agreement signed between the two entities in October 2013. Total amounts granted under this agreement totaled \$284,509 for the year ended September 30, 2013. As of September 30, 2013, \$17,565 remained payable to Touch TZ.

(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 years ended September 30, 2013 and 2012:

| | <u>2013</u> | <u>2012</u> |
|------------------------|---------------------|------------------|
| Professional services | \$ 1,054,507 | 977,516 |
| Materials and supplies | 44,105 | 12,726 |
| Facilities | 88,640 | 88,640 |
| Accommodation | — | 23,918 |
| | <u>\$ 1,187,252</u> | <u>1,102,800</u> |

TOUCH FOUNDATION, INC.

Notes to Financial Statements

September 30, 2013

(with comparative amounts at September 30, 2012)

(6) Related-Party Transactions

Facilities and services donated by McKinsey & Company (McKinsey) amounted to approximately \$98,000 and \$106,000 for the years ended September 30, 2013 and 2012, respectively. One director of the Foundation was a director of McKinsey for the entirety of 2013, 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.

Legal services donated by Stroock & Stroock & Lavan LLP (Stroock), amounted to approximately \$91,000 and \$394,000 for the years ended September 30, 2013 and 2012, respectively, consisting 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 director 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 \$367,000 and \$209,000 for the years ended September 30, 2013 and 2012, respectively. Contributions receivable from these related parties amounted to approximately \$35,000 and \$285,000 at September 30, 2013 and 2012, respectively.

Touch TZ was formed to help Touch meet its mission of improving healthcare in Africa, starting in Tanzania, by increasing and improving the quality and effectiveness of human resources for health and by improving healthcare facilities and healthcare delivery systems. To enhance the efficiency of Touch's program operations, Touch TZ conducts certain activities previously conducted by Touch in Tanzania, including making and administering grants to grantees, overseeing the performance by grantees and providing technical assistance to grantees and others in Tanzania. Touch has been providing bookkeeping and other services to Touch TZ. Payments made to Touch TZ by Touch in 2013 were \$284,509. Touch TZ is registered in the United Republic of Tanzania of which under the governing documents, Touch is one of the seven voting members. Four of the other voting members currently serve on the Touch board of directors. Under the professional standards, Touch is not required to consolidate Touch TZ.

(7) 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 approximately \$18,800 and \$16,000 for the years ended September 30, 2013 and 2012, respectively.

TOUCH FOUNDATION, INC.

Notes to Financial Statements

September 30, 2013

(with comparative amounts at September 30, 2012)

(8) Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30, 2013 and 2012 are restricted for the following:

| | <u>2013</u> | <u>2012</u> |
|-------------------------------------|---------------------|----------------|
| CUHAS Operations and Infrastructure | \$ 300,097 | 300,097 |
| WCMC-Touch Weill Bugando Program | 143,470 | 316,805 |
| Treat and Train Program | 776,100 | 240,753 |
| | <u>\$ 1,219,667</u> | <u>857,655</u> |

(9) Subsequent Events

In connection with the preparation of the financial statements, the Foundation evaluated subsequent events through March 17, 2014, 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, 2013

| | Grants and program activities | Supporting services | | | Total |
|--|-------------------------------------|------------------------------|--------------|-----------|-----------|
| | | Management and general | Fund-raising | Subtotal | |
| Grants | \$ 1,527,745 | — | — | — | 1,527,745 |
| Donated goods and services | 1,020,668 | 163,974 | 2,610 | 166,584 | 1,187,252 |
| Salaries and related expenses | 1,209,075 | 399,316 | 269,773 | 669,089 | 1,878,164 |
| Travel | 251,118 | 2,401 | 13,322 | 15,723 | 266,841 |
| Professional and consulting fees | 40,649 | 164,439 | 7,531 | 171,970 | 212,619 |
| Telephone | 35,536 | 5,082 | 3,813 | 8,895 | 44,431 |
| Printing, publications and postage | 12,032 | 400 | 11,082 | 11,482 | 23,514 |
| Office supplies and other miscellaneous | 11,419 | 2,813 | 10,185 | 12,998 | 24,417 |
| Occupancy | 38,607 | 593 | 6 | 599 | 39,206 |
| Equipment and maintenance | 166,199 | 3,485 | 7,767 | 11,252 | 177,451 |
| Depreciation | — | 653 | — | 653 | 653 |
| Insurance | — | 2,829 | — | 2,829 | 2,829 |
| Special events | — | — | 24,080 | 24,080 | 24,080 |
| Total expenses | \$ 4,313,048 | 745,985 | 350,169 | 1,096,154 | 5,409,202 |

See accompanying independent auditors' report.