



TOUCH FOUNDATION, INC.

Financial Statements

September 30, 2015

(with comparative amounts at September 30, 2014)

(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, 2015, 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, 2015, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 27, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

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, 2016

TOUCH FOUNDATION, INC.
Statement of Financial Position
September 30, 2015
(with comparative amounts at September 30, 2014)

| Assets | 2015 | 2014 |
|---|--------------|-------------|
| Cash and cash equivalents | \$ 1,418,784 | 1,483,299 |
| Contributions and grants receivables, net (notes 3 and 6) | 655,218 | 483,453 |
| Donated materials and supplies receivable (note 4) | 214,991 | 404,886 |
| Prepaid assets | 92,742 | 42,103 |
| Furniture and equipment, net of accumulated depreciation | 5,000 | 3,750 |
| Total assets | \$ 2,386,735 | 2,417,491 |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 102,366 | 111,763 |
| Deferred income | 487,621 | 248,368 |
| Grants payable, net (note 4) | 322,456 | 527,220 |
| | 912,443 | 887,351 |
| Net assets: | | |
| Unrestricted | 663,471 | 552,064 |
| Temporarily restricted (note 8) | 810,821 | 978,076 |
| Total net assets | 1,474,292 | 1,530,140 |
| Total liabilities and net assets | \$ 2,386,735 | 2,417,491 |

See accompanying notes to financial statements.

TOUCH FOUNDATION, INC.

Statement of Activities

Year ended September 30, 2015

(with comparative amounts for the year ended September 30, 2014)

| | 2015 | | | 2014 Total |
|---|-------------------|---------------------------|------------------|------------------|
| | Unrestricted | Temporarily restricted | Total | |
| Revenue and public support: | | | | |
| Contributions (notes 3 and 6) | \$ 1,706,125 | 552,354 | 2,258,479 | 1,857,654 |
| Government grants (note 3) | 2,086,622 | — | 2,086,622 | 2,197,119 |
| Donated goods and services (notes 5 and 6) | 1,485,844 | — | 1,485,844 | 1,454,497 |
| | <u>5,278,591</u> | <u>552,354</u> | <u>5,830,945</u> | <u>5,509,270</u> |
| Special event income (note 6) | — | — | — | 407,115 |
| Direct benefit to donors | — | — | — | (97,774) |
| Net special event income | — | — | — | 309,341 |
| Investment income, net | 21,710 | — | 21,710 | 654 |
| Total revenue and public support before net assets released from restrictions | <u>5,300,301</u> | <u>552,354</u> | <u>5,852,655</u> | <u>5,819,265</u> |
| Net assets released from restrictions | 719,609 | (719,609) | — | — |
| Total revenue and public support | <u>6,019,910</u> | <u>(167,255)</u> | <u>5,852,655</u> | <u>5,819,265</u> |
| Expenses: | | | | |
| Grants and program activities (notes 4, 5 and 6) | 4,987,369 | — | 4,987,369 | 4,696,430 |
| Supporting services: | | | | |
| Management and general (note 6) | 520,045 | — | 520,045 | 540,146 |
| Fund-raising (note 6) | 401,089 | — | 401,089 | 450,626 |
| Total supporting services | <u>921,134</u> | <u>—</u> | <u>921,134</u> | <u>990,772</u> |
| Total expenses | <u>5,908,503</u> | <u>—</u> | <u>5,908,503</u> | <u>5,687,202</u> |
| Change in net assets | 111,407 | (167,255) | (55,848) | 132,063 |
| Net assets: | | | | |
| Beginning of year | 552,064 | 978,076 | 1,530,140 | 1,398,077 |
| End of year | <u>\$ 663,471</u> | <u>810,821</u> | <u>1,474,292</u> | <u>1,530,140</u> |

See accompanying notes to financial statements.

TOUCH FOUNDATION, INC.

Statement of Cash Flows

Year ended September 30, 2015
(with comparative amounts at September 30, 2014)

| | <u>2015</u> | <u>2014</u> |
|--|---------------------|------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (55,848) | 132,063 |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities: | | |
| Depreciation | 2,500 | — |
| Decrease (increase) in: | | |
| Contributions and grants receivables, net | (171,765) | 429,183 |
| Prepaid assets | (50,639) | (1,735) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | (9,397) | 48,361 |
| Deferred income | 239,253 | 231,394 |
| Grants payable, net | (14,869) | (170,566) |
| Net cash (used in) provided by operating activities | <u>(60,765)</u> | <u>668,700</u> |
| Cash flows from investing activity: | | |
| Purchase of furniture and equipment | <u>(3,750)</u> | <u>(3,750)</u> |
| Net cash used in investing activity | <u>(3,750)</u> | <u>(3,750)</u> |
| Net (decrease) increase in cash and cash equivalents | (64,515) | 664,950 |
| Cash and cash equivalents: | | |
| Beginning of year | <u>1,483,299</u> | <u>818,349</u> |
| End of year | <u>\$ 1,418,784</u> | <u>1,483,299</u> |
| Supplemental disclosure: | | |
| Grants payable and receivable of donated materials and supplies | <u>\$ 214,991</u> | <u>404,886</u> |

See accompanying notes to financial statements.

TOUCH FOUNDATION, INC.

Notes to Financial Statements

September 30, 2015

(with comparative amounts at September 30, 2014)

(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.

Revenue 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 revenue 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, 2015

(with comparative amounts at September 30, 2014)

- 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, 2015 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) 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 revenue 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. Actual results could differ from those estimates.

(e) Comparative Information

The statement of activities includes summarized comparative information for the year ended September 30, 2014. 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, 2014, from which the summarized information was derived.

(f) 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, 2015 and 2014 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.

(g) Contributions, Grants and Deferred Income

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 goods and services are reported at their fair values, as both revenue and expense, in the accompanying statement of activities.

TOUCH FOUNDATION, INC.

Notes to Financial Statements

September 30, 2015

(with comparative amounts at September 30, 2014)

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. Certain grants are recorded as exchange transactions whereby revenue is recognized when the related expenses are incurred. Amounts received under these arrangements but not yet expended are reported as deferred income.

(h) *Grants Expenses and Payable*

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.

(i) *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 benefited based on estimates determined by management.

(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 exempt 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.

TOUCH FOUNDATION, INC.

Notes to Financial Statements

September 30, 2015

(with comparative amounts at September 30, 2014)

(3) Contributions and Grants Receivables

The Foundation's contributions and grants receivable are scheduled to be collected as follows at September 30, 2015 and 2014:

| | 2015 | 2014 |
|-------------------------------------|-------------|-------------|
| Amount due in one year or less | \$ 560,296 | 483,453 |
| Amount due in one to two years | 100,000 | — |
| Net present value discount at 2.64% | (5,078) | — |
| | \$ 655,218 | 483,453 |

Contributions and grants receivable from three donors, including a U.S. government agency, accounted for 86%, and four donors, including a U.S. government agency, accounted for 79% of the total contributions and grants receivable balance at September 30, 2015 and 2014, respectively. Five donors, including two separate grants from a U.S. government agency, accounted for 86% and five donors, including a U.S. government agency, accounted for 78% of contributions and grants revenue recognized for the years ended September 30, 2015 and 2014, respectively. The estimated fair values of contributions and grants receivable involve unobservable inputs and, therefore, are considered to be Level 3 in the fair value hierarchy.

(4) Grant Expense and Payable

Grant expense and payable at September 30, 2015 and 2014 consist of the following:

September 30, 2015

| | Grant expense | Grant payable |
|--|----------------------|----------------------|
| (a) Touch Foundation Tanzania (Touch TZ) | \$ 1,532,287 | — |
| (b) Weill Medical College of Cornell University (WCMC) | 188,510 | 27,078 |
| (c) New York University (NYU) | 48,436 | 44,329 |
| (d) VillageReach | 18,565 | 18,565 |
| (e) Baylor College of Medicine (Baylor College) | 17,493 | 17,493 |
| (f) Others | 214,991 | 214,991 |
| Total | \$ 2,020,282 | 322,456 |

TOUCH FOUNDATION, INC.

Notes to Financial Statements

September 30, 2015

(with comparative amounts at September 30, 2014)

September 30, 2014

| | Grant expense | Grant payable |
|--|----------------------|----------------------|
| Touch Foundation Tanzania (Touch TZ) | \$ 1,116,639 | 16,409 |
| Weill Medical College of Cornell University (WCMC) | 206,911 | 27,140 |
| Baylor College of Medicine (Baylor College) | 155,971 | 40,247 |
| Rush University (Rush) | 220,835 | — |
| Others | 479,018 | 443,424 |
| Total | \$ 2,179,374 | 527,220 |

A description of each of the grants as of and for the year ended September 30, 2015 is as follows:

- a) Touch TZ was formed to help the Foundation 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 efficiency of its program operations, Touch began to administer aspects of its program through Touch TZ in 2012, a relationship formalized in an agreement signed between the two entities in October 2013. This includes making and administering grants to Tanzanian grantees, overseeing the performance of those grantees and providing technical assistance to grantees and others in Tanzania. Touch has been providing bookkeeping and other services to Touch TZ.

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 in its annual audited financial statements.

- b) 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 the Catholic University of Health and Allied Sciences (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 2014, the term of this agreement was extended to March 31, 2016 and the amount of the award was increased to \$1,901,949. The Foundation has conditional commitments of \$97,238 at September 30, 2015 which will be recognized as the conditions in the grant agreement are met.

- c) In 2014, Touch entered into a contract with New York University (NYU) to provide technical assistance to Touch in preparing two rural Tanzanian hospitals to be training centers for emergency obstetric and newborn services. The contract, which was funded by the Vodafone Foundation, also included assisting with the creation of a “Train the Trainer” program, as part of Touch’s Mobilising Maternal Health program.

TOUCH FOUNDATION, INC.

Notes to Financial Statements

September 30, 2015

(with comparative amounts at September 30, 2014)

- d) In 2014, Touch entered into a contract with VillageReach to assist Touch in improving the supply chain for maternal health commodities and supplies in Sengerema district, Tanzania, as part of the Mobilising Maternal Health program funded by the Vodafone Foundation.
- e) In June 2012, Touch entered into an agreement with Baylor College of Medicine (Baylor College) and its affiliate Baylor College of Medicine Children's Foundation for them to provide medical training services and logistical support as part of Touch's Treat and Train program.
- f) Other organizations which received grants from the Foundation in 2015 included Bugando Medical Centre (BMC), Sengerema Designated District Hospital (SDDH), and Shinyanga Regional Hospital (SRH).

Included in grants payable is a commitment by the Foundation to provide \$214,991 of medical materials and supplies to BMC, SDDH and SRH. The materials and supplies were donated to the Foundation and are recorded as donated goods and services revenue and grant expense in the accompanying financial statements. The donated goods were received by the hospitals in fiscal year 2016.

In 2014, Touch recorded grant expense in connection with an agreement for Rush to provide curriculum design, faculty development services, and implementation of a fellowship program at Bugando Medical Centre (BMC) as part of Touch's Health Care Management Program.

(5) Donated Goods and Services

Contributions of services are recognized by the Foundation as both revenue 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 revenue consisted of the following for the years ended September 30, 2015 and 2014:

| | <u>2015</u> | <u>2014</u> |
|------------------------|---------------------|------------------|
| Professional services | \$ 1,126,756 | 949,302 |
| Materials and supplies | 270,448 | 416,555 |
| Facilities | 88,640 | 88,640 |
| | <u>\$ 1,485,844</u> | <u>1,454,497</u> |

(6) Related-Party Transactions

Facilities and services donated by McKinsey & Company (McKinsey) amounted to approximately \$642,000 and \$101,000 for the years ended September 30, 2015 and 2014, respectively. In addition, McKinsey provided approximately \$83,000 of billed services in 2015. One director of the Foundation was a director of McKinsey through March 2014, another director of the Foundation was a principal of McKinsey through June 2011 and another, who is also the President of the Foundation, was a director of McKinsey until January 2012, and has held the title Director Emeritus at McKinsey since January 2012.

TOUCH FOUNDATION, INC.

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September 30, 2015

(with comparative amounts at September 30, 2014)

Legal services donated by Stroock & Stroock & Lavan LLP (Stroock) amounted to approximately \$59,000 and \$158,000 for the years ended September 30, 2015 and 2014, respectively. In addition, Stroock provided approximately \$18,000 and \$25,000 of billed services for the years ended September 30, 2015 and 2014, respectively. Services provided by Stroock 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 director and a special counsel of Stroock is the Secretary of the Foundation.

Contributions from members of the board of directors amounted to approximately \$504,000 and \$711,000, including \$250,000 of special event income in 2014, for the years ended September 30, 2015 and 2014, respectively. Contributions receivable from these related parties amounted to approximately \$228,000 and \$105,000 at September 30, 2015 and 2014, respectively.

(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. Foreign employees not eligible for the 401(k) profit-sharing plan receive their retirement contribution from Touch as a direct payment. Total contributions made on behalf of the employees amounted to approximately \$28,700 and \$22,400 for the years ended September 30, 2015 and 2014, respectively.

(8) Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30, 2015 and 2014 are restricted for the following:

| | <u>2015</u> | <u>2014</u> |
|----------------------------------|-------------------|----------------|
| Cardiovascular Services Program | \$ 478,519 | — |
| Treat and Train Program | 223,814 | 671,078 |
| WCMC-Touch Weill Bugando Program | 97,238 | 285,748 |
| Analyst Support | 11,250 | 21,250 |
| | <u>\$ 810,821</u> | <u>978,076</u> |

(9) Subsequent Events

In connection with the preparation of the financial statements, the Foundation evaluated subsequent events through March 17, 2016, 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, 2015

| | Grants and program activities | Supporting services | | | Total |
|--|-------------------------------------|------------------------------|--------------|----------|-----------|
| | | Management and general | Fund-raising | Subtotal | |
| Grants | \$ 2,020,282 | — | — | — | 2,020,282 |
| Donated goods and services | 1,120,918 | 148,592 | 1,343 | 149,935 | 1,270,853 |
| Salaries and related expenses | 1,288,251 | 225,902 | 317,860 | 543,762 | 1,832,013 |
| Travel | 112,371 | 7,455 | 11,313 | 18,768 | 131,139 |
| Professional and consulting fees | 195,555 | 120,818 | 625 | 121,443 | 316,998 |
| Telephone | 5,600 | 681 | 3,034 | 3,715 | 9,315 |
| Printing, publications, and postage | 47,697 | 6,861 | 14,777 | 21,638 | 69,335 |
| Medical equipment and supplies | 178,992 | — | — | — | 178,992 |
| Office supplies and other miscellaneous | 2,650 | 2,468 | 7,338 | 9,806 | 12,456 |
| Occupancy | 10,472 | 1,032 | — | 1,032 | 11,504 |
| Equipment and maintenance | 2,081 | 3,415 | 13,487 | 16,902 | 18,983 |
| Depreciation | 2,500 | — | — | — | 2,500 |
| Insurance | — | 2,821 | — | 2,821 | 2,821 |
| Special events | — | — | 31,312 | 31,312 | 31,312 |
| Total expenses | \$ 4,987,369 | 520,045 | 401,089 | 921,134 | 5,908,503 |

See accompanying independent auditors' report.