



**TOUCH FOUNDATION, INC.**

Financial Statements

September 30, 2016

(with comparative amounts at September 30, 2015)

(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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 17, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015 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*

February 9, 2017

**TOUCH FOUNDATION, INC.**

Statement of Financial Position

September 30, 2016

(with comparative amounts at September 30, 2015)

<b>Assets</b>	<b>2016</b>	<b>2015</b>
Cash and cash equivalents	\$ 933,458	1,418,784
Contributions and grants receivables, net (notes 3 and 6)	1,363,294	655,218
Donated materials and supplies receivable (note 4)	504,702	214,991
Prepaid assets	60,273	92,742
Furniture and equipment, net of accumulated depreciation	11,500	5,000
Total assets	<u>\$ 2,873,227</u>	<u>2,386,735</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 38,710	102,366
Deferred income	103,353	487,621
Grants payable (note 4)	504,702	322,456
	<u>646,765</u>	<u>912,443</u>
Net assets:		
Unrestricted	874,124	663,471
Temporarily restricted (note 8)	1,352,338	810,821
Total net assets	<u>2,226,462</u>	<u>1,474,292</u>
Total liabilities and net assets	<u>\$ 2,873,227</u>	<u>2,386,735</u>

See accompanying notes to financial statements.

**TOUCH FOUNDATION, INC.**

Statement of Activities

Year ended September 30, 2016

(with comparative amounts for the year ended September 30, 2015)

	<b>2016</b>			<b>2015 Total</b>
	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Total</b>	
Revenue and public support:				
Contributions (notes 3 and 6)	\$ 1,846,689	1,045,405	2,892,094	2,258,479
Government grants (note 3)	1,359,393	—	1,359,393	2,086,622
Donated goods and services (notes 5 and 6)	1,066,266	—	1,066,266	1,485,844
	<u>4,272,348</u>	<u>1,045,405</u>	<u>5,317,753</u>	<u>5,830,945</u>
Special event income (note 6)	821,645	—	821,645	—
Direct benefit to donors	(125,847)	—	(125,847)	—
Net special event income	695,798	—	695,798	—
Investment (loss) income, net	(1,136)	—	(1,136)	21,710
Total revenue and public support before net assets released from restrictions	4,967,010	1,045,405	6,012,415	5,852,655
Net assets released from restrictions	503,888	(503,888)	—	—
Total revenue and public support	<u>5,470,898</u>	<u>541,517</u>	<u>6,012,415</u>	<u>5,852,655</u>
Expenses (note 6):				
Grants and program activities (notes 4 and 5)	4,260,177	—	4,260,177	4,987,369
Supporting services:				
Management and general	617,187	—	617,187	520,045
Fund-raising	382,881	—	382,881	401,089
Total supporting services	<u>1,000,068</u>	<u>—</u>	<u>1,000,068</u>	<u>921,134</u>
Total expenses	<u>5,260,245</u>	<u>—</u>	<u>5,260,245</u>	<u>5,908,503</u>
Change in net assets	210,653	541,517	752,170	(55,848)
Net assets:				
Beginning of year	663,471	810,821	1,474,292	1,530,140
End of year	<u>\$ 874,124</u>	<u>1,352,338</u>	<u>2,226,462</u>	<u>1,474,292</u>

See accompanying notes to financial statements.

**TOUCH FOUNDATION, INC.**

## Statement of Cash Flows

Year ended September 30, 2016

(with comparative amounts at September 30, 2015)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 752,170	(55,848)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	7,000	2,500
Decrease (increase) in:		
Contributions and grants receivables, net	(708,076)	(171,765)
Prepaid assets	32,469	(50,639)
Increase (decrease) in:		
Accounts payable and accrued expenses	(63,656)	(9,397)
Deferred income	(384,268)	239,253
Grants payable	(107,465)	(14,869)
Net cash used in operating activities	<u>(471,826)</u>	<u>(60,765)</u>
Cash flows from investing activity:		
Purchase of furniture and equipment	<u>(13,500)</u>	<u>(3,750)</u>
Net cash used in investing activity	<u>(13,500)</u>	<u>(3,750)</u>
Net decrease in cash and cash equivalents	(485,326)	(64,515)
Cash and cash equivalents:		
Beginning of year	<u>1,418,784</u>	<u>1,483,299</u>
End of year	<u>\$ 933,458</u>	<u>1,418,784</u>
Supplemental disclosure:		
Grants payable and receivable of donated materials and supplies	\$ 504,702	214,991

See accompanying notes to financial statements.

## **TOUCH FOUNDATION, INC.**

### Notes to Financial Statements

September 30, 2016

(with comparative amounts at September 30, 2015)

#### **(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) 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.

##### ***(d) Comparative Information***

The statement of activities includes summarized comparative information for the year ended September 30, 2015. 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

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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, 2015, from which the summarized information was derived.

**(e) 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, 2016 and 2015 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.

**(f) Contributions, Grants and Deferred Revenue**

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.

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.

**(g) 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.

**(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 benefited based on estimates determined by management.

**(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.



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**(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 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.

**(3) Contributions and Grants Receivables, Net**

The Foundation's contributions and grants receivable are scheduled to be collected as follows at September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Less than one year	\$ 1,125,319	560,296
One to five years	<u>253,000</u>	<u>100,000</u>
	1,378,319	660,296
Less discount to present value (2.88% in 2016 and 2.64% in 2015)	<u>(15,025)</u>	<u>(5,078)</u>
Net contributions and grants receivables	<u>\$ 1,363,294</u>	<u>655,218</u>

Contributions and grants receivable from six donors, including a U.S. government agency, accounted for 93% and three donors, including a U.S. government agency, accounted for 86% of the total contributions and grants receivable balance at September 30, 2016 and 2015, respectively. Six donors, including a U.S. government agency, accounted for 76% and five donors, including two separate grants from a U.S. government agency, accounted for 86% of contributions and grants revenue recognized for the years ended September 30, 2016 and 2015, respectively.

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Notes to Financial Statements

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**(4) Grant Expense and Payable**

Grant expense and payable at September 30, 2016 and 2015 consist of the following:

<b>September 30, 2016</b>		<u>Grant expense</u>	<u>Grant payable</u>
a) Touch Foundation Tanzania (Touch TZ)	\$	1,272,623	—
b) Weill Medical College of Cornell University (WCMC)		138,544	—
c) Wake Forest University Baptist Medical Center (Wake Forest)		50,000	—
d) New York University (NYU)		11,544	—
e) Seed Global Health (Seed)		2,813	—
f) Others		<u>504,702</u>	<u>504,702</u>
Total	\$	<u><u>1,980,226</u></u>	<u><u>504,702</u></u>
<b>September 30, 2015</b>			
		<u>Grant expense</u>	<u>Grant payable</u>
Touch Foundation Tanzania (Touch TZ)	\$	1,532,287	—
Weill Medical College of Cornell University (WCMC)		188,510	27,078
New York University (NYU)		48,436	44,329
VillageReach		18,565	18,565
Baylor College of Medicine (Baylor College)		17,493	17,493
Others		<u>214,991</u>	<u>214,991</u>
Total	\$	<u><u>2,020,282</u></u>	<u><u>322,456</u></u>

A description of each of the grants as of and for the year ended September 30, 2016 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 generally accepted accounting principles, Touch is not required to consolidate Touch TZ in the financial statements.

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- b) The Foundation entered into an affiliated grant agreement with WCMC to support the WCMC-Touch Weill Bugando Program within the Catholic University of Health and Allied Sciences (CUHAS).

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, which is recorded as expense as the conditions are met. The remainder of this award was then fully expended as planned by the end of Touch's fiscal year 2016.

- c) In April 2016, Touch entered into a contract with Wake Forest to provide a faculty-in-residence at Shinyanga Regional Referral Hospital (SRRH) to provide clinical education to Assistant Medical Officer Students in general surgery. Wake Forest's faculty are part of Touch's *Treat & Train* program in Shinyanga, which supports and coordinates external clinical education rotations for students who travel from Bugando Medical Centre (BMC).
- d) In 2014, Touch entered into a contract with 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.
- e) Seed volunteer nurses and doctors have been placed at BMC and Sengerema Designated District Hospital (SDDH) since August 2013, in conjunction with Touch's *Treat & Train* program. In 2016, Touch made a grant to Seed to pay for the travel costs associated with a facility assessment project.
- f) Other organizations which received grants from the Foundation in 2016 included BMC, SDDH, and SRRH. Grants to these recipients were made in the form of medical materials and supplies totaling \$504,702 in value. These 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 2017.

**(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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Professional services	\$ 424,790	1,126,756
Materials and supplies	552,836	270,448
Facilities	88,640	88,640
	<u>\$ 1,066,266</u>	<u>1,485,844</u>

## TOUCH FOUNDATION, INC.

### Notes to Financial Statements

September 30, 2016

(with comparative amounts at September 30, 2015)

#### (6) Related-Party Transactions

Facilities and services donated by McKinsey & Company (McKinsey) amounted to approximately \$106,000 and \$642,000 for the years ended September 30, 2016 and 2015, respectively. In addition, McKinsey provided approximately \$12,000 and \$83,000 of billed services in 2016 and 2015, respectively. Five members of the Touch board of directors have served as partners, directors or principals at McKinsey in the past, including the President of the Foundation, who was a director of McKinsey until January 2012, and has held the title Director Emeritus at McKinsey since January 2012. Additionally, one current director continues to hold the title of Senior Partner at McKinsey.

Legal services donated by Stroock & Stroock & Lavan LLP (Stroock) amounted to approximately \$73,000 and \$59,000 for the years ended September 30, 2016 and 2015, respectively. In addition, Stroock provided approximately \$4,000 and \$18,000 of billed services for the years ended September 30, 2016 and 2015, 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 received from the members of the board of directors amounted to approximately \$460,000 and \$504,000 for the years ended September 30, 2016 and 2015, respectively. In addition, special event income from members of the board of directors amounted to approximately \$640,000 for the year ended September 30, 2016. Contributions receivable from these related parties amounted to approximately \$244,000 and \$228,000 at September 30, 2016 and 2015, 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 \$40,300 and \$28,700 for the years ended September 30, 2016 and 2015, respectively.

#### (8) Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30, 2016 and 2015 are restricted for the following:

	<u>2016</u>	<u>2015</u>
Nursing and Assistant Medical Officer Rotations Program	\$ 714,905	—
Cardiovascular Services Program	553,531	478,519
Treat & Train Program	71,402	223,814
Analyst Support	12,500	11,250
WCMC-Touch Weill Bugando Program	—	97,238
	<u>\$ 1,352,338</u>	<u>810,821</u>

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**(9) Subsequent Events**

In connection with the preparation of the financial statements, the Foundation evaluated subsequent events through February 9, 2017, 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, 2016

	Grants and program activities	Supporting services			Total
		Management and general	Fund-raising	Subtotal	
Grants	\$ 1,980,226	—	—	—	1,980,226
Donated goods and services	388,560	173,004	—	173,004	561,564
Salaries and related expenses	1,539,514	323,207	268,235	591,442	2,130,956
Travel	117,043	13,187	13,303	26,490	143,533
Professional and consulting fees	125,518	86,351	—	86,351	211,869
Telephone	2,293	2,801	2,041	4,842	7,135
Printing, publications, and postage	32,439	5,644	2,292	7,936	40,375
Medical equipment and supplies	52,780	—	—	—	52,780
Office supplies and other miscellaneous	2,178	4,523	9,478	14,001	16,179
Occupancy	9,568	578	—	578	10,146
Equipment and maintenance	3,058	4,793	12,386	17,179	20,237
Depreciation	7,000	—	—	—	7,000
Insurance	—	3,099	—	3,099	3,099
Other special events	—	—	75,146	75,146	75,146
Total expenses	\$ <u>4,260,177</u>	<u>617,187</u>	<u>382,881</u>	<u>1,000,068</u>	<u>5,260,245</u>

See accompanying independent auditors' report.