

**TOUCH FOUNDATION, INC.**  
**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**

TOUCH FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors  
Touch Foundation, Inc.  
New York, New York

**Report on the Financial Statements**

We have audited the accompanying financial statements of Touch Foundation, Inc., which comprise the statements of financial position at September 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years 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 accounting principles generally accepted in the United States of America; 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's 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 entity'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 entity'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. at September 30, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in Note 2 to the financial statements, Touch Foundation, Inc. adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-14. Our opinion is not modified with respect to this matter.

*Grassi & Co., CPAs, P.C.*

GRASSI & CO., CPAs, P.C.

New York, New York

February 21, 2020

TOUCH FOUNDATION, INC.  
STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
ASSETS:		
Cash and cash equivalents	\$ 867,117	\$ 995,930
Contributions and grants receivable, net (Note 3)	7,342,968	4,883,908
Fixed assets, net	4,011	-
Prepaid and other assets	77,597	56,241
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 8,291,693</u>	<u>\$ 5,936,079</u>

LIABILITIES AND NET ASSETS

LIABILITIES:		
Accounts payable and accrued expenses	\$ 112,257	\$ 81,081
Grants payable (Note 4)	3,000	16,234
	<hr/>	<hr/>
Total liabilities	<u>115,257</u>	<u>97,315</u>
NET ASSETS:		
Without donor restrictions	591,062	815,258
With donor restrictions (Note 6)	7,585,374	5,023,506
	<hr/>	<hr/>
Total net assets	<u>8,176,436</u>	<u>5,838,764</u>
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,291,693</u>	<u>\$ 5,936,079</u>

The accompanying notes are an integral part of these financial statements.

TOUCH FOUNDATION, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE:						
Revenue and other support:						
Contributions	\$ 1,126,873	\$ 4,921,736	\$ 6,048,609	\$ 2,431,319	\$ 4,974,513	\$ 7,405,832
Government grants	606,699	-	606,699	1,405,000	-	1,405,000
Donated goods and services (Notes 5 and 7)	202,842	-	202,842	1,215,154	-	1,215,154
Special events, net	220,507	-	220,507	409,898	-	409,898
Investment loss	(1,037)	-	(1,037)	(405)	-	(405)
Net assets released from restrictions (Note 6)	2,359,868	(2,359,868)	-	705,861	(705,861)	-
Total revenue and other support	<u>4,515,752</u>	<u>2,561,868</u>	<u>7,077,620</u>	<u>6,166,827</u>	<u>4,268,652</u>	<u>10,435,479</u>
EXPENSES:						
Program Services:						
Grants and program activities (Note 4)	3,772,917	-	3,772,917	4,862,557	-	4,862,557
Supporting Services:						
Management and general	693,796	-	693,796	881,183	-	881,183
Fundraising	273,235	-	273,235	361,015	-	361,015
Total expenses	<u>4,739,948</u>	<u>-</u>	<u>4,739,948</u>	<u>6,104,755</u>	<u>-</u>	<u>6,104,755</u>
CHANGE IN NET ASSETS	(224,196)	2,561,868	2,337,672	62,072	4,268,652	4,330,724
NET ASSETS, BEGINNING OF YEAR	<u>815,258</u>	<u>5,023,506</u>	<u>5,838,764</u>	<u>753,186</u>	<u>754,854</u>	<u>1,508,040</u>
NET ASSETS, END OF YEAR	<u>\$ 591,062</u>	<u>\$ 7,585,374</u>	<u>\$ 8,176,436</u>	<u>\$ 815,258</u>	<u>\$ 5,023,506</u>	<u>\$ 5,838,764</u>

The accompanying notes are an integral part of these financial statements.

TOUCH FOUNDATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Program Services	Supporting Services				Total
	Grants and Program Activities	Management and General	Fundraising	Direct Cost of Special Events	Total Supporting Services	
Grants (Note 4)	\$ 1,387,134	\$ -	\$ -	\$ -	\$ -	\$ 1,387,134
Donated goods and services	39,629	153,242	9,971	-	163,213	202,842
Salaries and related expenses	1,968,762	354,210	182,883	-	537,093	2,505,855
Travel	132,136	31,723	3,830	-	35,553	167,689
Professional and consulting fees	124,365	80,759	5,323	-	86,082	210,447
Telephone	6,448	6,993	795	-	7,788	14,236
Printing, publications and postage	6,450	6,303	3,783	-	10,086	16,536
Food, facility and entertainment	-	-	-	80,593	80,593	80,593
Medical equipment and supplies	81,065	-	-	-	-	81,065
Office supplies and other miscellaneous	6,394	9,616	6,460	-	16,076	22,470
Occupancy	20,275	33,064	-	-	33,064	53,339
Equipment and maintenance	259	13,859	7,143	-	21,002	21,261
Depreciation	-	844	-	-	844	844
Insurance	-	3,183	-	-	3,183	3,183
Other special events	-	-	53,047	-	53,047	53,047
	<u>3,772,917</u>	<u>693,796</u>	<u>273,235</u>	<u>80,593</u>	<u>1,047,624</u>	<u>4,820,541</u>
Less: Expenses deducted directly from revenues on the statement of activities						
Cost of direct benefits of special events	-	-	-	(80,593)	(80,593)	(80,593)
Total Expenses	<u>\$ 3,772,917</u>	<u>\$ 693,796</u>	<u>\$ 273,235</u>	<u>\$ -</u>	<u>\$ 967,031</u>	<u>\$ 4,739,948</u>

The accompanying notes are an integral part of these financial statements.

TOUCH FOUNDATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Program Services	Supporting Services				Total
	Grants and Program Activities	Management and General	Fundraising	Direct Cost of Special Events	Total Supporting Services	
Grants (Note 4)	\$ 1,955,644	\$ -	\$ -	\$ -	\$ -	\$ 1,955,644
Donated goods and services	880,110	326,699	8,345	-	335,044	1,215,154
Salaries and related expenses	1,672,593	395,775	241,115	-	636,890	2,309,483
Travel	101,153	22,175	10,459	-	32,634	133,787
Professional and consulting fees	168,000	111,303	495	-	111,798	279,798
Telephone	2,629	2,647	829	-	3,476	6,105
Printing, publications and postage	7,731	4,917	3,942	-	8,859	16,590
Food, facility and entertainment	-	-	-	99,212	99,212	99,212
Medical equipment and supplies	47,917	-	-	-	-	47,917
Office supplies and other miscellaneous	3,534	7,908	11,199	-	19,107	22,641
Occupancy	14,193	623	36	-	659	14,852
Equipment and maintenance	4,553	6,217	7,158	-	13,375	17,928
Depreciation	4,500	-	-	-	-	4,500
Insurance	-	2,919	-	-	2,919	2,919
Other special events	-	-	77,437	-	77,437	77,437
	<u>4,862,557</u>	<u>881,183</u>	<u>361,015</u>	<u>99,212</u>	<u>1,341,410</u>	<u>6,203,967</u>
Less: Expenses deducted directly from revenues on the statement of activities						
Cost of direct benefits of special events	-	-	-	(99,212)	(99,212)	(99,212)
Total Expenses	<u>\$ 4,862,557</u>	<u>\$ 881,183</u>	<u>\$ 361,015</u>	<u>\$ -</u>	<u>\$ 1,242,198</u>	<u>\$ 6,104,755</u>

The accompanying notes are an integral part of these financial statements.



TOUCH FOUNDATION, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,337,672	\$ 4,330,724
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	844	4,500
Decrease (increase) in:		
Contributions and grants receivable	(2,459,060)	(4,242,275)
Prepaid and other assets	(21,356)	6,865
Increase (decrease) in:		
Accounts payable and accrued expenses	31,176	57,707
Deferred income	-	(2,085)
Grants payable	(13,234)	(16,530)
	(123,958)	138,906
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(4,855)	-
	(4,855)	-
NET CASH USED IN INVESTING ACTIVITIES		
NET CHANGE IN CASH AND CASH EQUIVALENTS	(128,813)	138,906
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	995,930	857,024
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 867,117	\$ 995,930

The accompanying notes are an integral part of these financial statements.

TOUCH FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018

Note 1 - Nature of Operations

Touch Foundation, Inc. (the "Foundation") is a not-for-profit public charity organization formed under the laws of the State of Connecticut that began operations in August 2004. Its primary purpose is working to save lives and relieve human suffering, and it seeks to achieve this goal by strengthening healthcare in sub-Saharan Africa, providing better access to care, and by improving the quality of local health systems. The Foundation designs and implements solutions based on a rigorous data-driven, problem-solving approach. Its programs are efficient, locally led and tailored to the environment in which it operates, and it seeks measurable and enduring impact. The Foundation seeks to encourage the adoption of its tested solutions by the global health community and pursues opportunities to replicate its successful models across the world. Its primary sources of funding are contributions and government grants.

The Organization qualifies as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code, and as a not-for-profit corporation in Connecticut. Accordingly, no provision for federal or state income taxes is required.

Note 2 - Summary of Significant Accounting Policies

Adoption of FASB ASU No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*

Effective October 1, 2018, the Foundation adopted the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities ("ASU 2016-14")* on a retrospective basis. This ASU provides for changes in financial statement presentation that affect classification of net assets and presentation of expenses. It also provides for enhanced disclosures of methods used to allocate costs among functions and available resources and liquidity.

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with initial maturities when acquired of three months or less.

TOUCH FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measurements, a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies, is as follows:

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Valuations based on unobservable inputs reflecting the Foundation's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

At September 30, 2019 and 2018, the fair value of the Foundation's financial instruments, including cash and cash equivalents, contributions and grants receivable, accounts payable and accrued expenses, and grants payable, approximated book value due to the short maturity of these instruments.

At September 30, 2019 and 2018, the Foundation did not have assets or liabilities required to be measured at fair value in accordance with FASB Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurement*.

Contributions, Government Grants and Deferred Revenue

The Foundation reports gifts of cash or other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributed securities are valued at the fair value of the asset on the date of the actual receipt of the gift. Contributions with donor restrictions that originate in a given year and are released from restriction in the same year by meeting the donors' restricted purposes are reflected in net assets without donor restrictions.

TOUCH FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Contributions, Government Grants and Deferred Revenue (cont'd.)

Contributions, including unconditional promises to give, are recorded as revenue. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the pledges are to be received. The Foundation does not accrue interest on past due receivables. Management has determined that an allowance for doubtful accounts is not necessary for the years ended September 30, 2019 and 2018.

Government grants are recorded when earned based on expenses that have been incurred for the purposes specified by the grantors. Amounts received in cash under these arrangements but not yet expended are reported as deferred income.

Donated Goods and Services

Donated goods and services are reported at their fair values as both revenue and expense in the accompanying statements of activities. Donated services that create or enhance nonfinancial assets or require specialized skills are provided by individuals possessing those skills and would typically need to be purchased if not donated.

Fixed Assets

Fixed assets are recorded at cost. Depreciation of fixed assets is provided over the estimated useful lives of the assets utilizing the straight-line method.

Net Assets Without Donor Restrictions

Net assets without donor restrictions of the Foundation include assets having no restriction as to use or purpose imposed by donors and are therefore available for use in carrying out the operations of the Foundation.

Net Assets With Donor Restrictions

Net assets with donor restrictions include assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Accounting for Uncertainty in Income Taxes

The Foundation applies the provisions pertaining to uncertain tax provisions in FASB ASC Topic 740, *Income Taxes*, and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Foundation believes it is no longer subject to income tax examinations prior to 2016.

TOUCH FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Functional Expenses

The costs of providing the Foundation's services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses such as salaries and related expenses are allocated on a time and effort basis. Expenses such as grants and medical equipment and supplies are directly charged to program expenses. Expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as square footage and time and effort.

New Accounting Pronouncements

ASU No. 2018-08

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which will assist organizations in evaluating the transfer of assets and the nature of the related transaction. Organizations will be required to determine whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and if a contribution is conditional. The guidance in this ASU requires that organizations determine whether a contribution is conditional based on whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The presence of both indicates that the recipient is not entitled to the transferred assets or a future transfer of assets until it has overcome any barriers in the agreement.

For nonpublic entities who are recipients, the amendments of ASU No. 2018-08 are effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019.

ASU No. 2016-02

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). This ASU is the result of a joint project of the FASB and the International Accounting Standards Board ("IASB") to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statements of financial position and disclosing key information about leasing arrangements for U.S. GAAP and International Financial Reporting Standards ("IFRS"). The guidance in this ASU affects any entity that enters into a lease (as that term is defined in this ASU), with some specified scope exemptions. The guidance in this ASU will supersede FASB ASC Topic 840, *Leases*.

The ASU provides that lessees should recognize lease assets and lease liabilities on the statements of financial position for leases previously classified as operating leases that exceed twelve months, including leases existing prior to the effective date of this ASU. It also calls for enhanced leasing arrangement disclosures.

For nonpublic entities, the amendments of ASU No. 2016-02 are effective for annual reporting periods beginning after December 15, 2020, and interim periods within annual periods beginning after December 15, 2021. Early application is permitted for all entities.

TOUCH FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018

Note 2 - Summary of Significant Accounting Policies (cont'd.)

New Accounting Pronouncements (cont'd.)

ASU No. 2014-09

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU is the result of a joint project of the FASB and the IASB to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and IFRS. The guidance in this ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards.

The ASU provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should apply the following five-step process to recognize revenue:

- Step 1: Identify the contract with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

For nonpublic entities, the amendments of ASU 2016-02 and ASU No. 2014-09 are effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019.

Effect of New ASUs

The Foundation has not yet determined if ASU No. 2018-08, ASU 2016-02 and ASU No. 2014-09 will have a material effect on its financial statements.

Concentration of Credit Risk

The Foundation maintains cash balances in several financial institutions which are insured by the Federal Deposit Insurance Corporation for up to \$250,000 per institution. From time to time, the Foundation's balances may exceed these limits.

TOUCH FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018

Note 3 - Contributions and Grants Receivable

The Foundation's contributions and grants receivable at September 30, 2019 and 2018 were comprised of the following:

	<u>2019</u>	<u>2018</u>
Less than one year	\$ 3,724,481	\$ 2,931,602
One to five years	3,734,471	2,064,160
	<u>7,458,952</u>	<u>4,995,762</u>
Less: Discount to net present value (with rates ranging from 1.55% to 2.88%)	115,984	111,854
	<u>\$ 7,342,968</u>	<u>\$ 4,883,908</u>

At September 30, 2019, contributions and grants receivable from three donors accounted for 89% of the total contributions and grants receivable balance. Three donors and a U.S. government agency accounted for 88% of contributions and government grant revenue for the year ended September 30, 2019.

At September 30, 2018, contributions and grants receivable from three donors accounted for 88% of the total contributions and grants receivable balance. Three donors and a U.S. government agency accounted for 82% of contributions and government grant revenue and for the year ended September 30, 2018..

Note 4 - Grant Expenses and Grants Payable

Grant expense and grants payable at September 30, 2019 consist of the following:

	<u>Grant Expenses</u>	<u>Grants Payable</u>
a) Touch Foundation Tanzania ("Touch TZ")	\$ 832,895	\$ -
b) Pathfinder International ("Pathfinder")	398,456	-
c) D-tree International ("D-tree")	98,227	-
d) Training for Health Equity Network ("THEnet")	22,231	3,000
e) Milwaukee Global Health Consortium ("MGHC")	6,450	-
f) Bugando Medical Centre ("BMC")	28,875	-
	<u>\$ 1,387,134</u>	<u>\$ 3,000</u>

TOUCH FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018

Note 4 - Grant Expenses and Grants Payable (cont'd.)

Grant expense and grants payable at September 30, 2018 consist of the following:

	<u>Grant Expenses</u>	<u>Grants Payable</u>
a) Touch Foundation Tanzania ("Touch TZ")	\$ 927,035	\$ 16,234
b) Pathfinder International ("Pathfinder")	886,121	-
c) D-tree International ("D-tree")	107,130	-
d) Training for Health Equity Network ("THEnet")	19,232	-
e) Milwaukee Global Health Consortium ("MGHC")	16,126	-
	<u>\$ 1,955,644</u>	<u>\$ 16,234</u>

A description of each of the grants for the years ended September 30, 2019 and 2018 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 ("HRH") and by improving healthcare facilities and healthcare delivery systems. To enhance efficiency of its program operations, the Foundation 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. The Foundation has been providing bookkeeping and other services to Touch TZ.

Touch TZ is registered in the United Republic of Tanzania. Under the governing documents, four of Touch TZ's six voting members currently serve on the Foundation's board of directors. Under U.S. GAAP, the Foundation is not required to consolidate Touch TZ in the financial statements.

- b) In September 2017, the Foundation entered into a contract with Pathfinder to be responsible for the lower level facility and community interventions component for the implementation of the *Mobilizing Maternal Health Phase II* program (later renamed "M-MAMA"), including the sustainable expansion of the emergency referral and transportation system currently operating in the Sengerema and Buchosa districts of the Mwanza region and in Shinyanga District Council of the Shinyanga region to the five remaining districts of the Shinyanga region in the Lake Zone of Tanzania.



TOUCH FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018

Note 4 - Grant Expenses and Grants Payable (cont'd.)

- c) In September 2017, the Foundation entered into a contract with D-tree to provide IT development support and data management services for the implementation of the *Mobilizing Maternal Health Phase II* program (later renamed "M-MAMA"), including the sustainable expansion of the emergency referral and transportation system currently operating in the Sengerema and Buchosa districts of the Mwanza region and in Shinyanga District Council of the Shinyanga region to the five remaining districts of the Shinyanga region in the Lake Zone of Tanzania.

In November 2018, the Foundation entered into a contract with D-tree to design and build a data capture system for the Foundation's *Rheumatic Heart Disease* program, located at BMC, and to provide related training on the system for users.

In July 2019, the Foundation entered into a contract with D-tree to design and build a data capture system for the Foundation's *Health Systems Strengthening* program to reduce hypertension in pregnant mothers and health workers, implemented in the Shinyanga region and Sengerema district with BMC as an implementing partner, and to provide related training on the system for users.

- d) In August 2018, the Foundation entered into a contract with THEnet to perform an external evaluation of the Foundation's *Treat & Train* programs at BMC, Catholic University of Health and Allied Sciences, Sengerema Designated District Hospital, Sekou Toure Regional Hospital and Shinyanga Regional Referral Hospital.
- e) In April 2017, the Foundation entered into an agreement with MGHC as part of its *Nursing Rotations* project in Mwanza and Shinyanga, Tanzania. Under this agreement, which was funded by Vitol Foundation, MGHC provides technical assistance in order to prepare the Foundation's in-country partners in becoming clinical training centers of excellence for nursing education.
- f) In September 2018, the Foundation entered into a contract with BMC for general support to the institution and for their assistance with implementation of the Foundation's *Health System Strengthening* program, which focuses on reducing hypertension in pregnant women and health workers.

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Note 5 - Donated Goods and Services

Donated goods and services revenue consisted of the following for the years ended September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Professional services	\$ 168,034	\$ 1,074,486
Materials and supplies	25,058	34,428
Facilities	9,750	106,240
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	<u>\$ 202,842</u>	<u>\$ 1,215,154</u>

Note 6 - Net Assets With Donor Restrictions

Net assets with donor restrictions available at September 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
M-Mama Program	\$ 6,537,090	\$ 3,600,882
Health Technology Management	759,469	1,124,035
FBO / Private Practice Program	228,646	-
Rheumatic Heart Disease Program	60,169	181,783
HRH, Deployment & Retention and Policy	-	48,993
Treat & Train Program	-	37,500
Nursing Rotations	-	19,063
Analyst Support	-	11,250
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	<u>\$ 7,585,374</u>	<u>\$ 5,023,506</u>

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Note 6 - Net Assets With Donor Restrictions (cont'd.)

Net assets with donor restrictions were released from restrictions during the years ended September 30, 2019 and 2018 by incurring expenses satisfying the following:

	<u>2019</u>	<u>2018</u>
M-Mama Program	\$ 1,671,150	\$ 100,000
Health Technology Management	390,129	-
Rheumatic Heart Disease Program	181,783	250,000
HRH, Deployment & Retention and Policy	48,993	37,406
Treat & Train Program	37,500	-
Nursing Rotations	19,063	89,325
Analyst Support	11,250	11,250
Cardiovascular Services Program	-	217,880
	<u>\$ 2,359,868</u>	<u>\$ 705,861</u>

Note 7 - Related Party Transactions

Facilities, goods and services donated by McKinsey & Company (McKinsey) amounted to approximately \$3,000 and \$1,003,000 for the years ended September 30, 2019 and 2018, respectively. In addition, McKinsey provided approximately \$30,000 of expenditures that were reimbursed by Touch in 2018. Six members of the Foundation's board of directors have served as partners, directors, or principals at McKinsey in the past, including the current president of the Foundation, who was a director of McKinsey until January 2012, and has held the title Senior Partner Emeritus at McKinsey since then. Additionally, two current directors continue to hold the titles of Senior Partner and Partner at McKinsey.

Legal services donated by Stroock & Stroock & Lavan LLP (Stroock) amounted to approximately \$121,000 and \$156,000 for the years ended September 30, 2019 and 2018, respectively. In addition, Stroock provided approximately \$5,000 of billed services for the year ended September 30, 2018. Services provided by Stroock consisted of advice on organizational and board matters, governance issues, tax compliance, grant making, agreements, intellectual property, fundraising, and employment issues. A partner of Stroock is a director and a special counsel of Stroock is the secretary of the Foundation.

Note 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. Foreign employees not eligible for the 401(k) profit-sharing plan receive their retirement contribution from the Foundation as a direct payment. Total contributions made on behalf of the employees amounted to approximately \$44,000 and \$40,000 for the years ended September 30, 2019 and 2018, respectively.

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Note 9 - Available Resources and Liquidity

The Foundation manages its liquidity and financial resources with a level of prudence that emphasizes financial soundness and stability in order to maintain adequate liquid assets to fund near-term operating needs. The following reflects the Foundation's financial assets at September 30, 2019, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

Cash and cash equivalents	\$ 867,117
Contributions and grants receivable, net	<u>7,342,968</u>
Total financial assets	<u>8,210,085</u>
Less: Contractual or donor-imposed restrictions	
Receivables due in more than one year	(3,618,487)
Donor-imposed purpose restricted net assets to be spent in more than one year	<u>(3,881,934)</u>
Total contractual or donor-imposed restrictions	<u>(7,500,421)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 709,664</u>

Note 10 - Subsequent Events

The Foundation has evaluated all events or transactions that occurred after September 30, 2019 through February 21, 2020, which is the date that the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.