

Africa Infectious Disease Village Clinics, Inc. and Subsidiaries

Consolidated Financial Statements and
Consolidating Supplemental Schedules as of
and for the Year Ended December 31, 2007,
and Independent Auditors' Report

AFRICA INFECTIOUS DISEASE VILLAGE CLINICS, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Africa Infectious Disease Village Clinics, Inc.
Chicago, Illinois

We have audited the accompanying consolidated statement of financial position of Africa Infectious Disease Village Clinics, Inc. ("Inc.") and Subsidiaries, Africa Infectious Disease Village Clinics Limited ("Limited"), and AID Africa, LLC (LLC), (collectively, "AID Village Clinics"), as of December 31, 2007, and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of AID Village Clinics' management. Our responsibility is to express an opinion on these consolidated 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of AID Village Clinics' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of AID Village Clinics as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 6, the beginning balance of net assets has been restated.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating schedules on pages 9-10 are presented for the purpose of additional analysis of the basic consolidated financial statements rather than to present the financial position and results of operations of the individual entities, and is not a required part of the basic consolidated financial statements. These schedules are the responsibility of AID Village Clinics' management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic consolidated financial statements taken as a whole.

Deloitte & Touche LLP

August 22, 2008

**AFRICA INFECTIOUS DISEASE VILLAGE CLINICS, INC.
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2007**

ASSETS:

Cash and cash equivalents	\$ 804,897
Receivables and other assets	34,067
Property and equipment (net of accumulated depreciation of \$671,082)	<u>2,596,897</u>

Total assets \$3,435,861

LIABILITIES — Accounts payable and accrued expenses \$ 95,962

NET ASSETS:

Unrestricted	3,378,855
Cumulative translation adjustment	<u>(38,956)</u>

Total net assets 3,339,899

TOTAL LIABILITIES AND NET ASSETS \$3,435,861

See notes to consolidated financial statements.

**AFRICA INFECTIOUS DISEASE VILLAGE CLINICS, INC.
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

CHANGES IN UNRESTRICTED NET ASSETS:	
Revenues — contributions and interest income	\$5,164,232
Operating expenses	4,284,398
Net assets released from restrictions	<u>62,500</u>
Total increase in unrestricted net assets	942,334
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS — Net assets released from restrictions	(62,500)
CHANGE IN CUMULATIVE TRANSLATION ADJUSTMENT	<u>5,171</u>
INCREASE IN NET ASSETS	<u>885,005</u>
NET ASSETS — Beginning of year, as previously reported	2,224,692
RESTATEMENT OF BEGINNING NET ASSETS (see Note 6)	<u>230,202</u>
NET ASSETS — Beginning of year, as restated	<u>2,454,894</u>
NET ASSETS — End of year	<u>\$3,339,899</u>

See notes to consolidated financial statements.

**AFRICA INFECTIOUS DISEASE VILLAGE CLINICS, INC.
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 885,005
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	214,660
Change in operating assets and liabilities:	
Receivables and other assets	142,105
Accounts payable and accrued expenses	<u>(184,377)</u>
Net cash provided by operating activities	1,057,393
CASH FLOWS FROM INVESTING ACTIVITIES —	
Purchases of property and equipment	<u>(391,769)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	665,624
CASH AND CASH EQUIVALENTS — Beginning of year	<u>139,273</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 804,897</u>

See notes to consolidated financial statements.

AFRICA INFECTIOUS DISEASE VILLAGE CLINICS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2007

1. DESCRIPTION OF BUSINESS

Background — Africa Infectious Disease Village Clinics, Inc. (“Inc.”), a U.S. charity, was incorporated on June 30, 2003, for the purpose of improving the health and quality of life for rural village communities in Africa by providing timely and accurate disease diagnosis, treatment, prevention, and health care education.

Inc.’s majority owned subsidiary, Africa Infectious Disease Village Clinics Limited (“Limited”), carries out the mission of Inc. in Kenya. Under the Kenyan Companies Act of 1962, a private company must not have less than two shareholders. Inc.’s wholly owned single member LLC, AID Africa, LLC (LLC) was created to be a shareholder of Limited. On August 20, 2003, the original shareholders of Limited transferred 100% of their shares of stock to Inc. (99.9%) and LLC (0.1%). Inc. controls 100% of the net assets of Limited. The results of Limited’s operations for the year ended December 31, 2007, are included in the consolidated statement of activities.

Support is derived primarily from contributions to Inc. and expenditures are principally for the operation of a fixed-base medical center and mobile medical clinic in Kenya.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation — The accompanying consolidated financial statements include the accounts of Inc., Limited, and LLC (collectively, “AID Village Clinics”). All significant intercompany transactions and accounts have been eliminated in consolidation.

Foreign Currency Translation — Assets and liabilities of the foreign subsidiary are translated into U.S. dollars at year-end exchange rates. Income and expense items are translated using the average exchange rate for the year. The resulting currency translation adjustments are recorded as a separate component of consolidated net assets.

Cash and Cash Equivalents — Cash and cash equivalents comprise investments purchased with a maturity of three months or less intended to be used for current operations.

Use of Estimates — The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions — Contributions are reported at fair value at the date the contribution is received or, if pledged, to the extent estimated to be collectible by AID Village Clinics. Contributions received with donor restrictions that limit the use of the donated assets are reported as either permanently restricted or temporarily restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reported as unrestricted net assets and reported in the consolidated statement of changes in net assets as net assets released from restrictions.

Net Assets — Financial Accounting Standards Board (FASB) Statement No. 117, *Financial Statements of Not-for-Profit Organizations*, establishes external financial reporting for not-for-profit organizations, which includes three basic financial statements and the classification of resources into three classes of net assets. The three net asset categories are as follows:

Unrestricted — Net assets which are free of donor-imposed restrictions: all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.

Temporary Restricted — Net assets whose use by AID Village Clinics is limited by donor-imposed restrictions that either expire by the passage of time or can be removed by fulfillment of the stipulated purpose for which the donation was restricted.

Permanently Restricted — Net assets donated with stipulations that they be invested to provide a permanent source of income; such restrictions can neither expire with the passage of time nor be removed by fulfillment of a stipulated purpose. No funds have been classified as permanently restricted at December 31, 2007.

Property and Equipment — Property and equipment are stated at cost. Provisions for depreciation are computed using the straight-line method based upon the estimated useful lives of the assets.

Income Taxes — AID Village Clinics has received a determination letter from the Internal Revenue Service indicating that it is a tax-exempt organization as provided in Section 501(c)(3) of the Internal Revenue Code of 1986 (IRC) and is not a private foundation pursuant to Section 509(a)(1) of the IRC. As such, it is exempt from federal and state income taxes and no provision for income taxes has been included in the accompanying consolidated financial statements.

In June 2006, the FASB issued FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*. This interpretation clarifies the accounting treatment for uncertainty in income taxes recognized in an organization's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. This interpretation prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in an income tax return. FIN No. 48 is effective for AID Village Clinics fiscal year ending December 31, 2008. AID Village Clinics is assessing the impact, if any, the application of FIN No. 48 will have on its consolidated financial statements.

3. PROMISES TO GIVE

There are no unconditional promises to give at December 31, 2007.

4. RELATED-PARTY TRANSACTIONS

AID Village Clinics received \$4,179,317 in contributions from a donor-advised fund established by a board member and officer of AID Village Clinics for the year ended December 31, 2007. This amount, as included in the consolidated statement of activities, was used by AID Village Clinics to support its operations.

5. FUNCTIONAL EXPENSES

AID Village Clinics provides health care services to residents of rural village communities in Africa. Expenses related to providing these services for the year ended December 31, 2007, are as follows:

Program services	\$4,034,853
General and administrative	247,329
Fundraising	<u>2,216</u>
Total expenses	<u>\$4,284,398</u>

6. RESTATEMENT

Subsequent to the issuance of the 2006 financial statements, AID Village Clinics determined that \$230,202 of outside consultant expenses related to internally developed computer software from prior years should have been capitalized in accordance with accounting principles generally accepted in the United States of America. Accordingly, the beginning balance of net assets on the statement of activities has been restated to correct these errors.

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ADDITIONAL CONSOLIDATING SCHEDULES

**AFRICA INFECTIOUS DISEASE VILLAGE CLINICS, INC.
AND SUBSIDIARIES**

**CONSOLIDATING SCHEDULE OF STATEMENT OF FINANCIAL POSITION INFORMATION
AS OF DECEMBER 31, 2007**

	Africa Infectious Disease Village Clinics, Inc.	Africa Infectious Disease Village Clinics Limited	AID Africa, LLC	Eliminations	Consolidated
ASSETS					
CASH AND CASH EQUIVALENTS	\$ 786,067	\$ 18,830	\$ -	\$ -	\$ 804,897
RECEIVABLES AND OTHER ASSETS	11,435	22,632			34,067
PROPERTY AND EQUIPMENT:					
Buildings		1,984,193			1,984,193
Construction in progress		11,872			11,872
Furniture and equipment	527,541	744,373			1,271,914
Less accumulated depreciation	(98,939)	(572,143)			(671,082)
Property and equipment — net	<u>428,602</u>	<u>2,168,295</u>	<u>-</u>	<u>-</u>	<u>2,596,897</u>
INITIAL INVESTMENT IN SUBSIDIARY	<u>1,299</u>		<u>2</u>	<u>(1,301)</u>	<u>-</u>
TOTAL	<u>\$1,227,403</u>	<u>\$2,209,757</u>	<u>\$ 2</u>	<u>\$(1,301)</u>	<u>\$3,435,861</u>
LIABILITIES AND NET ASSETS					
LIABILITIES — Accounts payable and accrued expenses	<u>\$ 51,046</u>	<u>\$ 44,916</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,962</u>
NET ASSETS:					
Common stock, \$1.299 par value — authorized, 1,000 shares; issued and outstanding		1,299		(1,299)	
Unrestricted	1,176,357	2,202,498	2	(2)	3,378,855
Cumulative translation adjustment		(38,956)			(38,956)
Total net assets	<u>1,176,357</u>	<u>2,164,841</u>	<u>2</u>	<u>(1,301)</u>	<u>3,339,899</u>
TOTAL	<u>\$1,227,403</u>	<u>\$2,209,757</u>	<u>\$ 2</u>	<u>\$(1,301)</u>	<u>\$3,435,861</u>

**AFRICA INFECTIOUS DISEASE VILLAGE CLINICS, INC.
AND SUBSIDIARIES**

**CONSOLIDATING SCHEDULE OF STATEMENT OF ACTIVITIES INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Africa Infectious Disease Village Clinics, Inc.	Africa Infectious Disease Village Clinics Limited	AID Africa, LLC	Eliminations	Consolidated
CHANGES IN UNRESTRICTED					
NET ASSETS:					
Revenues — contributions	\$4,231,955	\$3,839,663	\$ -	\$(2,959,152)	\$5,112,466
Dividend income	40,542				40,542
Other income		11,224			11,224
	<u>4,272,497</u>	<u>3,850,887</u>	<u>-</u>	<u>(2,959,152)</u>	<u>5,164,232</u>
Total revenues — contributions and interest income					
	4,272,497	3,850,887	-	(2,959,152)	5,164,232
OPERATING EXPENSES:					
Donations to Africa Infectious Disease Village Clinics Limited	2,959,152			(2,959,152)	
Medical supplies		1,545,329			1,545,329
Salary and benefits	95,097	1,033,551			1,128,648
Printing and supplies	7,846	12,191			20,037
Lab services		227,217			227,217
Travel, meeting, and fundraising	69,260	56,353			125,613
Professional fees	204,131	1,192			205,323
Depreciation and amortization	82,820	146,016			228,836
Office rent and supplies		33,282			33,282
Insurance	5,427	91,442			96,869
Repairs and maintenance		76,262			76,262
Clinic operating expenses		189,065			189,065
Local hospital fees		381,062			381,062
Other donations	6,700				6,700
Other expenses	6,579	13,576			20,155
	<u>3,437,012</u>	<u>3,806,538</u>	<u>-</u>	<u>(2,959,152)</u>	<u>4,284,398</u>
Total operating expenses					
	3,437,012	3,806,538	-	(2,959,152)	4,284,398
Net assets released from restrictions	62,500				62,500
	<u>62,500</u>	<u></u>	<u></u>	<u></u>	<u>62,500</u>
Total increase in unrestricted net assets	897,985	44,349	-	-	942,334
	897,985	44,349	-	-	942,334
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS —					
Net assets released from restrictions	(62,500)				(62,500)
	<u>(62,500)</u>	<u></u>	<u></u>	<u></u>	<u>(62,500)</u>
TOTAL CHANGE IN CUMULATIVE TRANSLATION ADJUSTMENT					
		5,171			5,171
	<u></u>	<u>5,171</u>	<u></u>	<u></u>	<u>5,171</u>
INCREASE IN NET ASSETS	835,485	49,520	-	-	885,005
	835,485	49,520	-	-	885,005
NET ASSETS — Beginning of year, as previously reported	110,670	2,115,321	2	(1,301)	2,224,692
	<u>110,670</u>	<u>2,115,321</u>	<u>2</u>	<u>(1,301)</u>	<u>2,224,692</u>
RESTATEMENT OF BEGINNING NET ASSETS (see Note 6)					
	230,202				230,202
	230,202				230,202
NET ASSETS — Beginning of year, as restated	340,872	2,115,321	2	(1,301)	2,454,894
	<u>340,872</u>	<u>2,115,321</u>	<u>2</u>	<u>(1,301)</u>	<u>2,454,894</u>
NET ASSETS — End of year	\$1,176,357	\$2,164,841	\$ 2	\$ (1,301)	\$3,339,899
	<u>\$1,176,357</u>	<u>\$2,164,841</u>	<u>\$ 2</u>	<u>\$ (1,301)</u>	<u>\$3,339,899</u>