

Africa Infectious Disease Village Clinics, Inc. and Subsidiaries

Consolidated Financial Statements and
Additional Consolidating Information as of and
for the Year Ended December 31, 2009, and
Independent Auditors' Report

AFRICA INFECTIOUS DISEASE VILLAGE CLINICS, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009:	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Consolidated Financial Statements	5-7
ADDITIONAL CONSOLIDATING INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009:	8
Statement of Financial Position Information	9
Statement of Activities Information	10

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. and subsidiaries (collectively, "AID Village Clinics") as of December 31, 2009, and the related consolidated statement of activities and changes in net assets and cash flows for the year then ended. These consolidated 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 consolidated financial position of AID Village Clinics as of December 31, 2009, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The additional consolidating information on pages 9–10 is 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. This additional information is the responsibility of AID Village Clinics' management. Such information has been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic consolidated financial statements taken as a whole.

Deloitte + Touche LLP

September 9, 2010

AFRICA INFECTIOUS DISEASE VILLAGE CLINICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2009

ASSETS

CASH AND CASH EQUIVALENTS	\$ 378,900
RECEIVABLES AND OTHER ASSETS	122,737
PROPERTY AND EQUIPMENT:	
Buildings	1,984,193
Construction in progress	978,658
Furniture and equipment	2,012,059
Less accumulated depreciation	<u>(1,292,143)</u>
Property and equipment — net	<u>3,682,767</u>
TOTAL	<u>\$ 4,184,404</u>

LIABILITIES AND NET ASSETS

LIABILITIES — Accounts payable and accrued expenses	<u>\$ 139,934</u>
NET ASSETS:	
Unrestricted	3,888,993
Temporarily restricted	75,000
Cumulative translation adjustment	<u>80,477</u>
Total net assets	<u>4,044,470</u>
TOTAL	<u>\$ 4,184,404</u>

See notes to consolidated financial statements.

AFRICA INFECTIOUS DISEASE VILLAGE CLINICS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2009

UNRESTRICTED NET ASSETS:	
Revenues — contributions, dividend, and other income	\$7,801,265
Operating expenses	<u>6,377,400</u>
Increase in unrestricted net assets	1,423,865
RESTRICTED NET ASSETS:	
Temporarily restricted contributions	75,000
CUMULATIVE TRANSLATION ADJUSTMENT	<u>12,189</u>
NET INCREASE IN NET ASSETS	1,511,054
NET ASSETS — Beginning of year	<u>2,533,416</u>
NET ASSETS — End of year	<u>\$4,044,470</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, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 1,511,054
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	345,594
Gain on the sale of assets	(7,395)
Change in operating assets and liabilities:	
Receivables and other assets	(42,549)
Accounts payable and accrued expenses	<u>38,594</u>
Net cash provided by operating activities	1,845,298
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(1,546,956)
Proceeds from the sale of assets	<u>8,529</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	306,871
CASH AND CASH EQUIVALENTS — Beginning of year	<u>72,029</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 378,900</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, 2009

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, 2009, are included in the consolidated statement of activities and changes in net assets.

Support is derived primarily from contributions to Inc. and expenditures are principally for the operation of a fixed-base medical center and a 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 Limited, 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. At times, cash balances held at banks and financial institutions may exceed federally insured amounts.

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 activities and changes in net assets as net assets released from restrictions.

Net Assets — Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*, 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.

Temporarily 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, 2009.

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. Buildings are depreciated over forty years. Furniture and fixtures are depreciated over seven years. Office equipment is depreciated over five years. Computer software is depreciated over three years.

Income Taxes — AID Village Clinics is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, except with regards to unrelated business income, which is taxed at corporate income tax rates.

The accounting guidance in ASC 740, *Income Taxes*, prescribes a comprehensive model for how an institution should recognize, measure, present, and disclose in its financial statements uncertain tax positions that it has taken or expects to take on a tax return. AID Village Clinics adopted this accounting guidance for the year ended December 31, 2009. The adoption had no impact on the consolidated financial statements.

3. PROMISES TO GIVE

There are no unconditional promises to give at December 31, 2009.

4. RELATED-PARTY TRANSACTIONS

AID Village Clinics received \$5,300,000 in contributions from the Ann and Robert H. Lurie Foundation which was established by a board member and officer of AID Village Clinics for the year ended December 31, 2009. This amount, as included in the consolidated statement of activities and changes in net assets, 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, 2009, are as follows:

Program services	\$ 6,099,255
General and administrative	277,030
Fundraising	<u>1,115</u>
Total expenses	<u>\$ 6,377,400</u>

6. SUBSEQUENT EVENTS

ASC 855, *Subsequent Events*, establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before the financials are issued or available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. This statement is effective for fiscal years ending after June 15, 2009. For the year ended December 31, 2009, AID Village Clinics has evaluated all subsequent events through September 9, 2010, which is the date the consolidated financial statements were available to be issued and no events warranting disclosure were identified.

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ADDITIONAL CONSOLIDATING INFORMATION

AFRICA INFECTIOUS DISEASE VILLAGE CLINICS, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION INFORMATION AS OF DECEMBER 31, 2009

	Africa Infectious Disease Village Clinics, Inc.	Africa Infectious Disease Village Clinics Limited	AID Africa, LLC	Eliminations	Consolidated
ASSETS					
CASH AND CASH EQUIVALENTS	\$ 366,075	\$ 12,825	\$ -	\$ -	\$ 378,900
RECEIVABLES AND OTHER ASSETS	4,482	118,255			122,737
PROPERTY AND EQUIPMENT:					
Buildings		1,984,193			1,984,193
Construction in progress		978,658			978,658
Furniture and equipment	781,208	1,230,851			2,012,059
Less accumulated depreciation	<u>(408,002)</u>	<u>(884,141)</u>			<u>(1,292,143)</u>
Property and equipment — net	373,206	3,309,561	-	-	3,682,767
INITIAL INVESTMENT IN SUBSIDIARY	<u>1,299</u>		<u>2</u>	<u>(1,301)</u>	
TOTAL	<u>\$ 745,062</u>	<u>\$ 3,440,641</u>	<u>\$ 2</u>	<u>\$ (1,301)</u>	<u>\$ 4,184,404</u>
LIABILITIES AND NET ASSETS					
LIABILITIES — Accounts payable and accrued expenses	\$ 66,045	\$ 73,889	\$ -	\$ -	\$ 139,934
NET ASSETS:					
Common stock, \$1.299 par value — authorized, 1,000 shares; issued and outstanding		1,299		(1,299)	-
Unrestricted	604,017	3,284,976	2	(2)	3,888,993
Temporarily restricted	75,000				75,000
Cumulative translation adjustment		<u>80,477</u>			<u>80,477</u>
Total net assets	<u>679,017</u>	<u>3,366,752</u>	<u>2</u>	<u>(1,301)</u>	<u>4,044,470</u>
TOTAL	<u>\$ 745,062</u>	<u>\$ 3,440,641</u>	<u>\$ 2</u>	<u>\$ (1,301)</u>	<u>\$ 4,184,404</u>

The additional consolidating information is presented under a cost-method of accounting.

AFRICA INFECTIOUS DISEASE VILLAGE CLINICS, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2009

	Africa Infectious Disease Village Clinics, Inc.	Africa Infectious Disease Village Clinics Limited	AID Africa, LLC	Eliminations	Consolidated
CHANGES IN UNRESTRICTED NET ASSETS:					
Revenues — contributions	\$ 5,624,651	\$ 7,139,435	\$ -	\$ (4,970,533)	\$ 7,793,553
Dividend income	317				317
Other income		7,395			7,395
	<u>5,624,968</u>	<u>7,146,830</u>	<u>-</u>	<u>(4,970,533)</u>	<u>7,801,265</u>
Total revenues — contributions and dividend and other income					
OPERATING EXPENSES:					
Donations to Africa Infectious Disease Village Clinics Limited	4,970,533			(4,970,533)	-
Medical supplies and equipment		2,961,102			2,961,102
Salary and benefits	42,856	1,127,410			1,170,266
Printing and supplies	6,319	57,299			63,618
Lab services		334,811			334,811
Travel, meeting, and fundraising	65,941	69,004			134,945
Professional fees	194,184	67,306			261,490
Depreciation and amortization	154,360	191,234			345,594
Office rent and supplies		33,850			33,850
Insurance	5,357	104,828			110,185
Repairs and maintenance		59,652			59,652
Clinic operating expenses		271,569			271,569
Local hospital fees		293,163			293,163
Foreign exchange loss		305,365			305,365
Other expenses	9,806	21,984			31,790
	<u>5,449,356</u>	<u>5,898,577</u>	<u>-</u>	<u>(4,970,533)</u>	<u>6,377,400</u>
Total operating expenses					
TEMPORARILY RESTRICTED NET ASSETS:					
Temporarily restricted contributions	75,000				75,000
TOTAL CHANGE IN CUMULATIVE TRANSLATION ADJUSTMENT					
		12,189			12,189
INCREASE IN NET ASSETS	250,612	1,260,442	-	-	1,511,054
NET ASSETS — Beginning of year	428,405	2,106,310	2	(1,301)	2,533,416
NET ASSETS — End of year	<u>\$ 679,017</u>	<u>\$ 3,366,752</u>	<u>\$ 2</u>	<u>\$ (1,301)</u>	<u>\$ 4,044,470</u>

The additional consolidating information is presented under a cost-method of accounting.