



**TOUCH FOUNDATION, INC.**

Financial Statements

June 30, 2009

(With Independent Auditors' Report Thereon)



**KPMG LLP**  
345 Park Avenue  
New York, NY 10154

## **Independent Auditors' Report**

The Board of Trustees  
Touch Foundation, Inc.:

We have audited the accompanying statement of financial position of Touch Foundation, Inc. (the Foundation) as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the Foundation's 2008 financial statements, and in our report dated March 30, 2009, we expressed an unqualified opinion on those financial statements.

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 the Foundation's 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, the financial statements referred to above present fairly, in all material respects, the financial position of Touch Foundation, Inc. as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was performed for the purpose of forming an opinion on the basic 2009 financial statements taken as a whole. The supplementary information included in Schedule I is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic 2009 financial statements taken as a whole.

**KPMG LLP**

January 27, 2010

**TOUCH FOUNDATION, INC.**  
Statement of Financial Position  
June 30, 2009  
(With comparative amounts at June 30, 2008)

<b>Assets</b>	<b>2009</b>	<b>2008</b>
Assets:		
Cash and cash equivalents	\$ 371,975	1,997,669
Contributions and grants receivables, net (notes 3 and 6)	2,381,391	2,042,737
Prepaid assets	40,983	29,358
Furniture and equipment, net of accumulated depreciation of \$37,037 and \$10,459 in 2009 and 2008, respectively	51,316	35,885
Total assets	\$ 2,845,665	4,105,649
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 38,583	547,418
Deferred income	9,700	—
Grants payable, net (note 4)	1,044,087	958,362
	1,092,370	1,505,780
Net assets:		
Unrestricted	32,500	195,631
Temporarily restricted (note 9)	1,720,795	2,404,238
Total net assets	1,753,295	2,599,869
Total liabilities and net assets	\$ 2,845,665	4,105,649

See accompanying notes to financial statements.

**TOUCH FOUNDATION, INC.**

Statement of Activities

Year ended June 30, 2009

(With summarized financial information for the year ended June 30, 2008)

	<b>2009</b>			<b>2008 total</b>
	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Total</b>	
Revenues and public support:				
Contributions (notes 3 and 6)	\$ 3,357,619	441,817	3,799,436	2,760,189
Government grants	841,606	—	841,606	1,143,000
Donated goods and services (note 5)	1,297,540	—	1,297,540	2,618,708
Donated stock (note 5)	205,852	—	205,852	170,002
	<u>5,702,617</u>	<u>441,817</u>	<u>6,144,434</u>	<u>6,691,899</u>
Special event income	161,026	—	161,026	339,350
Direct benefit to donors	(176,077)	—	(176,077)	(165,742)
Net special event (loss) income	<u>(15,051)</u>	<u>—</u>	<u>(15,051)</u>	<u>173,608</u>
Investment income, net	<u>19,242</u>	<u>—</u>	<u>19,242</u>	<u>107,651</u>
Total revenues and public support before net assets released from restrictions	5,706,808	441,817	6,148,625	6,973,158
Net assets released from restrictions	<u>1,125,260</u>	<u>(1,125,260)</u>	<u>—</u>	<u>—</u>
Total revenues and public support	<u>6,832,068</u>	<u>(683,443)</u>	<u>6,148,625</u>	<u>6,973,158</u>
Expenses and losses:				
Grant and program activities	5,082,015	—	5,082,015	7,365,592
Supporting services:				
Management and general	767,424	—	767,424	719,219
Fund-raising	1,145,760	—	1,145,760	838,085
Total supporting services	<u>1,913,184</u>	<u>—</u>	<u>1,913,184</u>	<u>1,557,304</u>
Total expenses and losses	<u>6,995,199</u>	<u>—</u>	<u>6,995,199</u>	<u>8,922,896</u>
Change in net assets	<u>(163,131)</u>	<u>(683,443)</u>	<u>(846,574)</u>	<u>(1,949,738)</u>
Net assets:				
Beginning of year	<u>195,631</u>	<u>2,404,238</u>	<u>2,599,869</u>	<u>4,549,607</u>
End of year	<u>\$ 32,500</u>	<u>1,720,795</u>	<u>1,753,295</u>	<u>2,599,869</u>

See accompanying notes to financial statements.

**TOUCH FOUNDATION, INC.**

## Statement of Cash Flows

Year ended June 30, 2009

(With comparative amounts for the year ended June 30, 2008)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ (846,574)	(1,949,738)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	26,578	3,689
Donated stock	(205,852)	(170,002)
Net realized and unrealized (gain) loss on investment	(1,612)	4,471
Increase in:		
Contributions and grants receivables, net	(338,654)	(497,663)
Prepaid assets	(11,625)	(26,126)
Increase (decrease) in:		
Accounts payable and accrued expenses	(508,835)	294,029
Deferred income	9,700	—
Grants payable, net	85,725	(204,164)
Net cash used in operating activities	<u>(1,791,149)</u>	<u>(2,545,504)</u>
Cash flows from investing activities:		
Acquisition of furniture and equipment	(42,009)	(29,900)
Proceeds from sale of donated stock	207,464	170,888
Net cash provided by investing activities	<u>165,455</u>	<u>140,988</u>
Net decrease in cash and cash equivalents	(1,625,694)	(2,404,516)
Cash and cash equivalents:		
Beginning of year	<u>1,997,669</u>	<u>4,402,185</u>
End of year	<u>\$ 371,975</u>	<u>1,997,669</u>

See accompanying notes to financial statements.

# TOUCH FOUNDATION, INC.

## Notes to Financial Statements

June 30, 2009

(With comparative amounts at June 30, 2008)

### (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 address health system capacity issues in Tanzania. Its objective is to enable Tanzanians to produce adequate numbers of health workers and implement high priority health system improvements. While working in Tanzania to develop and implement an effective approach, the Foundation is committed to collecting, codifying, and disseminating the knowledge generated by its work so that it can be used to replicate solutions elsewhere.

### (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 restricted by donors, or the donor-imposed restrictions have expired.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. 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 revenues of the unrestricted net assets, are reported as net assets released from restrictions.

#### (c) *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.

#### (d) *Government Grants*

Government grants are recognized as earned, as the related costs are incurred under the grant agreements.

**TOUCH FOUNDATION, INC.**

Notes to Financial Statements

June 30, 2009

(With comparative amounts at June 30, 2008)

**(e) 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(f) Comparative Information**

The statement of activities includes the summarized comparative information for the year ended June 30, 2008. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

**(g) 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 in reasonable ratios determined by management.

**(h) Contributions**

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

**(i) Contributions Receivable**

Unconditional promises to give (pledges) that are expected to be collected within one year are recorded at their net realizable value. 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.

**(j) Furniture and Equipment**

Furniture and equipment are stated at cost. Depreciation is calculated by using the straight-line method over the estimated useful lives of the assets, ranging from three to five years.

**TOUCH FOUNDATION, INC.**

Notes to Financial Statements

June 30, 2009

(With comparative amounts at June 30, 2008)

**(k) Income Taxes**

The Foundation is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income tax has been recorded in the accompanying financial statements. The Foundation is also exempt from New York and Connecticut income taxes under the related state provisions. Management believes that the Foundation will continue to be exempted from tax.

**(l) Grants**

Grants are recorded when approved by the board of directors 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 applicable to the year the grant was approved.

**(m) Recent Accounting Pronouncements**

Effective July 1, 2008, the Foundation adopted FASB Statement No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, requires expanded disclosures about fair value measurements, and establishes a three-level hierarchy for fair value measurements based on the observable inputs to the valuation of an asset or liability at the measurement date. 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. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The adoption of SFAS 157 did not have a significant impact on the Foundation's financial statements.

Effective June 30, 2009, the Foundation adopted FASB Statement No. 165, *Subsequent Events* (Statement 165). Statement 165 establishes principles and requirements for subsequent events and applies to accounting for and disclosure of subsequent events not addressed in other applicable generally accepted accounting principles. The Foundation evaluated events subsequent to June 30, 2009 and through January 27, 2010, the date on which the financial statements were approved for issuance. The adoption of Statement 165 had no impact on the Foundation's financial statements.

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109* (FIN 48), which addresses accounting for, and disclosure of, uncertain tax positions. FIN 48 prescribes a model for how an entity should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the entity has taken or expects to take on a tax return. Under FIN 48, the financial statements will reflect expected future tax consequences of such positions, presuming the tax authorities' full knowledge of the position and all relevant facts. FIN 48 will require an entity to recognize the benefit of tax positions when it is "more likely than not" that the provision will be sustainable based on the merits of the position. The Foundation is currently evaluating the impact that FIN 48 will have on the Foundation's financial statements upon adoption in fiscal year 2010.

## TOUCH FOUNDATION, INC.

### Notes to Financial Statements

June 30, 2009

(With comparative amounts at June 30, 2008)

#### (3) Contributions and Grants Receivables

The Foundation's contributions and grants receivables at June 30, 2009 and 2008 are expected to be collected as follows:

	<u>2009</u>	<u>2008</u>
Collectible:		
Within one year	\$ 2,381,391	1,852,513
One to five years	—	203,000
	<u>2,381,391</u>	<u>2,055,513</u>
Present value reduction of pledges due in excess of one year (discounted at 2.63%)	—	(12,776)
	<u>\$ 2,381,391</u>	<u>2,042,737</u>

Contributions and grants receivables from four donors, including a U.S. government agency, accounted for approximately 99% and 98% of the total contributions and grants receivable balance for the years ended June 30, 2009 and 2008, respectively. Four donors accounted for approximately 82% and 63% of contributions and grants for the years ended June 30, 2009 and June 30, 2008, respectively.

#### (4) Grant Expenses and Payable

During June 2007, Touch awarded a grant to Weill Bugando University College of Health Sciences (WBUCHS) for its fiscal year ended August 30, 2008 to cover certain operating and capital expenses. This grant was conditioned on the Foundation raising such funds and WBUCHS providing appropriate evidence of need and prior expenditures. The total amount granted under this agreement totaled approximately \$2,901,000. Funds remitted to WBUCHS during the year ended June 30, 2008 amounted to approximately \$2,711,000. As of June 30, 2008, \$190,000 remained payable to BUCHS, which was paid during the year ended June 30, 2009.

During September 2008, Touch awarded a grant to WBUCHS for its fiscal year ending August 30, 2009 to cover certain operating and capital expenses. This grant was conditioned on the Foundation raising such funds and WBUCHS providing appropriate evidence of need and prior expenditures. The total amount granted under this agreement totaled \$1,675,534. Funds remitted to WBUCHS during the year ended June 30, 2009 amounted to \$1,626,442. As of June 30, 2009, \$49,092 remained payable to WBUCHS, which will be paid during the year ending June 30, 2010.

During July 2006, the Foundation entered into an affiliated grant agreement with Joan and Sanford I. Weill Medical College and Graduate School of Medical Sciences (WCMC) to support the WCMC-Touch Weill Bugando Program within WBUCHS. The amount granted was approximately \$1,033,000 payable over a three-year period with a renewal option, upon consent of both parties. The Foundation will provide certain funding to WCMC-Touch Weill Bugando Program based on appropriate evidence of need and expenditure. As of June 30, 2009, \$614,073, net of discount for grants due in excess of one year (discounted at rates ranging from 0.56% to 2.17%, \$2,414) remained payable to WCMC.

**TOUCH FOUNDATION, INC.**

Notes to Financial Statements

June 30, 2009

(With comparative amounts at June 30, 2008)

In January 2008, Touch entered into an agreement with Abbott Fund for the upgrade of lab services at regional lab facilities as well as the training of lab technicians at WBUCHS. This agreement was extended in January 2009 to include additional lab facilities. Total amount expended under this agreement amounted to \$752,543. As of June 30, 2009 \$379,714 remained payable.

Amounts promised by the Foundation at June 30, 2009 and 2008 have been recorded as grants payable. The Foundation's grants payable are expected to be paid as follows at June 30, 2009 and 2008:

	<b>2009</b>	<b>2008</b>
Payable:		
Within one year	\$ 829,187	761,775
One to three years	217,314	205,211
	1,046,501	966,986
Present value reduction of grants due in excess of one year (at rates ranging from 0.56% to 2.17%)	(2,414)	(8,624)
	\$ 1,044,087	958,362

**(5) Donated Goods and Services**

Contributions of services are recognized by the Foundation as both revenues 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 consisted of the following at June 30, 2009 and 2008:

	<b>2009</b>	<b>2008</b>
Faculty and medical services	\$ 965,000	822,000
Consulting services	15,355	1,500,903
Legal services	122,026	191,418
Use of facilities	179,909	63,787
Medical equipment and supplies	660	—
Auction items	14,590	40,600
	\$ 1,297,540	2,618,708

In addition, the Foundation received donated stock of \$205,852 and \$170,002 for the years ended June 30, 2009 and 2008, respectively.

# TOUCH FOUNDATION, INC.

## Notes to Financial Statements

June 30, 2008

(With comparative amounts at June 30, 2008)

### (6) Related-Party Transactions

Consulting services donated by McKinsey & Company (McKinsey) amounting to approximately \$1,461,000 for the year ended June 30, 2008, related to consulting on the Twiga and Lake Zone Initiatives. A director of McKinsey is the President of the Foundation.

Legal services donated by Stroock & Stroock & Lavan LLP (Stroock), amounting to approximately \$122,000 and \$191,000 for the years ended June 30, 2009 and 2008, respectively, 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 trustee of the Foundation 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 \$2,577,000 and \$1,002,000 for the years ended June 30, 2009 and 2008, respectively. Contributions receivable from these related parties amounted to approximately \$1,250,000 and \$826,000, net of discount at June 30, 2009 and 2008, respectively.

### (7) Concentrations

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 June 30, 2009 and 2008 exceeded the FDIC limit. The excess of deposit balances amounted to \$1,929,000 at June 30, 2008.

### (8) Employee Benefit Plan

In August 2005, the Foundation established a 401(k) profit-sharing plan for all eligible employees. Contributions to the plan are determined pursuant to a formula. Total contributions made on behalf of the employees amounted to \$24,104 and \$19,596 for the years ended June 30, 2009 and 2008, respectively.

### (9) Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2009 and 2008 are restricted for the following:

	<u>2009</u>	<u>2008</u>
Time restricted--general operations*	\$ —	203,000
WBUCHS operations and infrastructure*	892,447	1,143,782
WCMC--Touch Weill Bugando Program*	442,154	610,500
Touch Abbott Lab Program*	386,194	459,732
Present value	—	(12,776)
	<u>\$ 1,720,795</u>	<u>2,404,238</u>

\* Shown at gross value.

## TOUCH FOUNDATION, INC.

Schedule 1

## Statement of Functional Expenses

Year ended June 30, 2009

(With summarized financial information for the year ended June 30, 2008)

	2009				2009 expenses	2008 total
	Program services	Management and general	Fund-raising	Supporting services Subtotal		
Grants	\$ 2,464,019	—	—	—	2,464,019	2,944,595
Donated goods and services	1,057,978	147,462	92,100	239,562	1,297,540	2,618,708
Salaries and related expenses	1,019,142	466,519	762,171	1,228,690	2,247,832	1,853,392
Travel	229,683	44,827	38,599	83,426	313,109	599,964
Professional and consulting fees	160,375	85,884	69,970	155,854	316,229	525,130
Telephone	59,672	6,200	15,626	21,826	81,498	90,631
Printing, publications and postage	46,282	2,132	9,214	11,346	57,628	162,676
Office supplies and other miscellaneous	16,245	9,237	27,512	36,749	52,994	43,446
Maintenance	3,223	3,717	10,526	14,243	17,466	19,396
Depreciation	24,353	812	1,413	2,225	26,578	3,689
Insurance	1,043	634	1,103	1,737	2,780	2,155
Special events	—	—	117,526	117,526	117,526	59,114
Total expenses	\$ 5,082,015	767,424	1,145,760	1,913,184	6,995,199	8,922,896

See accompanying independent auditors' report.