

TASK FORCE FOR GLOBAL HEALTH, INC.

Consolidated Financial Statements

August 31, 2010

With Independent Auditor's Report Thereon

Independent Auditor's Report

The Board of Directors
Task Force for Global Health, Inc.:

I have audited the accompanying consolidated statement of financial position of the Task Force for Global Health, Inc. (the "Task Force") and its subsidiary as of August 31, 2010, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Task Force's management. My responsibility is to express an opinion on the consolidated financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 Task Force's internal control over financial reporting. Accordingly, I express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Task Force and its subsidiary as of August 31, 2010, and their changes in net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating information included in Schedules 1 and 2 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets for the Task Force and are not a required part of the basic consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

James Dykhouse, CPA

October 28, 2010

TASK FORCE FOR GLOBAL HEALTH, INC.

Consolidated Statement of Financial Position

August 31, 2010

Assets

Cash and cash equivalents	\$ 38,475,395
Contributions, grants and contracts receivable	348,438
Investments (notes 2 and 3)	294,519
Prepaid expenses	124,008
Deposits	317,984
Land, building, and equipment, net (notes 4 and 5)	<u>3,844,679</u>
Total assets	<u>\$ 43,405,023</u>

Liabilities

Accounts payable	\$ 698,632
Accrued absences	384,357
Payroll liabilities	515,880
Other accrued liabilities	108,622
Bonds payable (note 5)	<u>2,625,000</u>
Total liabilities	<u>4,332,491</u>

Net assets

Unrestricted	3,690,725
Temporarily restricted (note 6)	<u>35,381,807</u>
Total net assets	<u>39,072,532</u>

Commitments (notes 5, 9, 10, and 11)

Total liabilities and net assets	<u>\$ 43,405,023</u>
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See accompanying notes to financial statements.

TASK FORCE FOR GLOBAL HEALTH, INC.

Consolidated Statement of Activities

Year ended August 31, 2010

	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support:			
Investment income	\$ 11,151	46,554	57,705
Program support	64,453	26,197,056	26,261,509
Indirect cost recovery revenue (note 7)	2,296,260	-	2,296,260
Conference registrations	-	378,539	378,539
Capital Campaign	111,600	-	111,600
Other revenue	59,211	(51,477)	7,734
Gifts-in-kind (note 8)	-	1,120,648,955	1,120,648,955
Net assets released from restrictions	1,143,193,885	(1,143,193,885)	-
Total revenues, gains, and other support	1,145,736,560	4,025,742	1,149,762,302
Expenses:			
Program	1,143,170,816	-	1,143,170,816
Fundraising	155,900	-	155,900
General and administrative	1,775,149	-	1,775,149
Total expenses	1,145,101,865	-	1,145,101,865
Change in net assets	634,695	4,025,742	4,660,437
Net assets at beginning of year	3,056,030	31,356,065	34,412,095
Net assets at end of year	\$ 3,690,725	35,381,807	39,072,532

See accompanying notes to financial statements.

TASK FORCE FOR GLOBAL HEALTH, INC.

Consolidated Statement of Functional Expenses

Year ended August 31, 2010

Programs	Personnel costs	Office expense	Communications	Meeting costs	Travel	Consultants	Interest	Other	Depreciation	(Gifts-in-kind) medication	Total
Collaboration	\$ 500,144	123,126	46,679	844,012	382,935	1,604,612	-	1,073,718	6,859	-	4,582,085
Children's health and development	120,188	125,607	2,040	7,144	34,270	516,704	-	484,926	-	-	1,290,879
Infectious diseases	745,034	23,646	9,024	28,994	323,955	4,127,803	-	1,704,303	-	-	6,962,759
Injury prevention	149,164	4,228	4,985	488	30,447	8,664	-	8,643	-	-	206,619
Disease control/eradication	1,716,447	188,708	94,778	451,662	783,776	185,755	-	2,054,716	-	1,120,648,955	1,126,124,797
Public health informatics	1,806,471	91,268	31,532	69,716	432,869	1,533,810	-	38,011	-	-	4,003,677
Total program expense	5,037,448	556,583	189,038	1,402,016	1,988,252	7,977,348	-	5,364,317	6,859	1,120,648,955	1,143,170,816
Fundraising	133,271	5,207	8,891	1,145	663	450	-	6,273	-	-	155,900
General and administrative	1,144,952	170,109	40,906	12,452	12,068	55,301	57,346	106,442	175,573	-	1,775,149
Total expense	\$ 6,315,671	731,899	238,835	1,415,613	2,000,983	8,033,099	57,346	5,477,032	182,432	1,120,648,955	1,145,101,865

See accompanying notes to financial statements.

TASK FORCE FOR GLOBAL HEALTH, INC.

Consolidated Statement of Cash Flows

Year ended August 31, 2010

Cash flows from operating activities:	
Change in net assets	\$ 4,660,437
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	182,432
Increase in receivables	(88,817)
Increase in prepaid expenses	(3,559)
Increase in deposits	(11,752)
Decrease in accounts payable	(30,826)
Increase in accrued absences	67,348
Increase in payroll liabilities	37,105
Decrease in other accrued liabilities	(441,952)
Net cash provided by operating activities	<u>4,370,416</u>
Cash flows from investing activities:	
Purchases of property and equipment	(13,025)
Disposal of property and equipment	128,794
Sale of investments	302,714
Net cash provided by investing activities	<u>418,483</u>
Cash flows from financing activities:	
Repayment of debt	<u>(100,000)</u>
Increase in cash and cash equivalents	4,688,899
Cash and cash equivalents:	
Beginning of year	<u>33,786,496</u>
End of year	<u>\$ 38,475,395</u>

Supplemental disclosure of cash flow information:

During 2010, the Task Force paid approximately \$57,000 for interest.

See accompanying notes to financial statements.

TASK FORCE FOR GLOBAL HEALTH INC.

Notes to Consolidated Financial Statements

August 31, 2010

(1) Summary of Significant Accounting Policies

(a) *Description of Business*

The Task Force for Global Health, Inc. (the "Task Force"), incorporated May 5, 1986, is a nonprofit organization, which is funded by various organizations in coordination of activities directed at six public health areas: children's health and development, public health informatics, infectious diseases, disease control/eradication, injury prevention and conferences, consulting and collaboration.

The accompanying consolidated financial statements include the financial position and operating results of the Task Force's subsidiary organization, Global Health Solutions, Inc ("GHS"). All significant intra-organizational accounts and transactions have been eliminated. GHS was incorporated in the State of Georgia on September 22, 2005 for the purpose of supporting the Task Force's global health projects. GHS is organized under Section 501(c)(3) of the Internal Revenue Code.

(b) *Accrual Basis of Accounting*

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

(c) *Basis of Presentation of Financial Statements*

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Task Force and changes therein are classified as unrestricted and temporarily restricted.

Unrestricted net assets include amounts that are not subject to donor-imposed stipulations, which are used to account for resources, and are available to carry out the purposes of the Task Force in accordance with the limitations of its charter and bylaws.

Temporarily restricted net assets are those resources currently available for use, but expendable only for purposes specified by the donor or grantor. Such resources originate from contributions and gifts-in-kind restricted for specific purposes. When a donor or grantor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

(d) *Cash Equivalents*

For purposes of the consolidated statement of cash flows, the Task Force considers highly liquid investments with maturities of three months or less to be cash equivalents.

TASK FORCE FOR GLOBAL HEALTH, INC.

Notes to Consolidated Financial Statements

August 31, 2010

(e) Grants and Contracts Receivable

Grants and contracts receivable are expected to be collected in one year or less.

(f) Investments

Investment securities are stated at fair value.

(g) Land, Building, and Equipment

Building and equipment are recorded at cost at date of acquisition. Building and equipment are depreciated using the straight-line method over the estimated useful lives of the respective assets (5 to 30 years).

(h) Management Estimates

Management of the Task Force has made certain estimates and assumptions related to the reporting of contributions receivable, accounts payable, and accrued absences to prepare the financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(i) Federal Taxes

The Task Force is exempt from Federal income taxes under the provisions of Section 501(c)(3) of the United States Internal Revenue Code. The Task Force is a public charity as defined in Section 509(a)(1) and 170(b)(1)(A)(vi) of the United States Internal Revenue Code. Global Health Solutions, Inc. is exempt from Federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. GHS is classified as a public charity and is qualified to receive tax deductible bequests, devises, transfers and gifts under Section 2055, 2106 or 2522 of the Code. GHS is also categorized as a Type 1 supporting organization under Section 509 (a).

(2) Investments

The cost and related fair value of investments at August 31, 2010 are as follows:

	Cost	Fair value
Certificates of deposit	\$ 291,000	294,519

TASK FORCE FOR GLOBAL HEALTH, INC.

Notes to Consolidated Financial Statements

August 31, 2010

(3) Fair Value Measurements

The Task Force has adopted the provisions of Statement of Financial Accounting Standards Board (FASB) Accounting Standards Codification ASC 820, *Fair Value Measurements and Disclosures*, for financial assets and liabilities. Under ASC 820, fair value is based on 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. In order to increase consistency and comparability in fair value measurements, ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. These levels, in order of highest priority to lowest priority, are described as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Other significant observable inputs not quoted on active markets, but corroborated by market data.

Level 3: Significant unobservable inputs for the asset that are supported by little or no market activity and that are significant to the fair value of the underlying asset.

The following table summarized the Task Force's financial instruments measured at fair value on a recurring basis in accordance with ASC 820 as of August 31, 2010:

	Total	Level 1	Level 2	Level 3
Certificates of deposit	\$ 294,519	294,519	-	-

(4) Land, Building, and Equipment

Land, building, and equipment consist of the following at August 31, 2010:

Furniture and fixtures	\$ 171,895
Automobiles	22,329
Computer equipment	319,208
Office equipment	159,800
Land	500,000
Building improvements	1,483,277
Building	<u>2,138,447</u>
	4,794,956
Less accumulated depreciation	<u>950,277</u>
	\$ <u>3,844,679</u>

TASK FORCE FOR GLOBAL HEALTH, INC.

Notes to Consolidated Financial Statements

August 31, 2010

(5) Bonds Payable

A summary of bonds payable at August 31, 2010 is as follows:

Bonds payable mature September 1, 2027 subject to annual redemptions. SunTrust Bank has issued a letter of credit in support of the bonds. The Task Force's land and building collateralize the letter of credit. Interest on the bonds is variable and is at the weekly rate as determined by the bond's remarketing agent. \$ 2,625,000

The aggregate maturities on the bonds payable are as follows:

Years ending August 31:

2011	\$ 100,000
2012	100,000
2013	100,000
2014	100,000
2015	100,000
Thereafter	<u>2,125,000</u>
	\$ <u>2,625,000</u>

(6) Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at August 31, 2010:

Children's health and development	\$ 698,727
Public health informatics	3,564,723
Disease control/eradication	23,120,623
Infectious diseases	6,603,722
Injury prevention	2,240
Conferences, consulting and collaboration	<u>1,391,772</u>
	\$ <u>35,381,807</u>

TASK FORCE FOR GLOBAL HEALTH, INC.

Notes to Consolidated Financial Statements

August 31, 2010

(7) Indirect Cost Recovery Revenue and Expense

In the normal course of operations, the Task Force is responsible for expending certain donated funds as directed by sponsoring organizations. The revenues and related expenses for these transactions have been recorded in the financial statements of the Task Force. In exchange for management of these funds, the Task Force is permitted to collect an indirect cost fee from the sponsoring organizations. For the year ended August 31, 2010, the amount of indirect cost fee revenue collected totaled \$2,296,260 and was recorded as unrestricted revenue in the statements of activities.

(8) Gifts-in-Kind

Gifts-in-kind revenue consists of medicine donated to GHS for distribution in Angola, Benin, Burkina Faso, Cameroon, Cambodia, Cape Verde, Chad, Congo, Equatorial Guinea, Ethiopia, Gambia, Ghana, Ivory Coast, Kenya, Laos, Mauritania, Mali, Nepal, Nicaragua, Niger, Philippines, Senegal, Sudan, Tanzania, Uganda, Vietnam, and Yemen. This medication has been valued at \$1,120,648,955 for the year ended August 31, 2010.

(9) Operating Leases

In connection with the merger of the International Trachoma Initiative, Inc. as of April 1, 2009, the Task Force assumed an operating lease on office space in New York. This office space was subsequently abandoned. The lease expires on September 30, 2010. The remaining payments under this lease were expensed by the Task Force during 2009.

(10) Pension Plan

Substantially all Task Force employees are eligible to participate in the 403(b) retirement plan administered by Emory University. After the employee becomes eligible, Task Force makes a basic contribution equal to 6% of an eligible employee's regular salary; by meeting certain requirements and the employee contributing an additional 2%, Task Force will add an additional 3% match. Under this plan, the Task Force makes contributions to the Emory fringe benefits pool from which employer contributions are made. The associated charge, which also includes employee insurance coverage, was approximately 26.75% of gross salaries for employees for the year ended August 31, 2010, resulting in payments into this fringe benefit pool totaling \$1,348,826 for 2010.

(11) Subsequent Event

In September 2010, the Task Force's board authorized management to proceed with certain aspects of financing, design and bidding construction contracts related to a new annex with a planned cost of \$1,375,000.

TASK FORCE FOR GLOBAL HEALTH, INC.

Consolidating Statement of Financial Position

August 31, 2010

	Task Force	GHS	Consolidating Eliminations	Consolidated Total
Assets				
Cash and cash equivalents	\$ 38,340,140	135,255	-	38,475,395
Contributions, grants and contracts receivable	348,438	-	-	348,438
Investments	-	294,519	-	294,519
Prepaid expenses	124,008	-	-	124,008
Deposits	317,984	-	-	317,984
Land, building, and equipment, net	3,844,679	-	-	3,844,679
Due to related party	-	1,925,988	(1,925,988)	-
Total assets	\$ 42,975,249	2,355,762	(1,925,988)	43,405,023
Liabilities				
Accounts payable	\$ 698,632	-	-	698,632
Accrued absences	384,357	-	-	384,357
Payroll liabilities	515,880	-	-	515,880
Other accrued liabilities	108,622	-	-	108,622
Note payable	2,625,000	-	-	2,625,000
Due to related party	1,925,988	-	(1,925,988)	-
Total liabilities	6,258,479	-	(1,925,988)	4,332,491
Net assets				
Unrestricted	3,690,700	25	-	3,690,725
Temporarily restricted	33,026,070	2,355,737	-	35,381,807
Total net assets	36,716,770	2,355,762	-	39,072,532
Total liabilities and net assets	\$ 42,975,249	2,355,762	(1,925,988)	43,405,023

See accompanying independent auditor's report.

TASK FORCE FOR GLOBAL HEALTH, INC.

Consolidating Statement of Activities

Year ended August 31, 2010

	Task Force		GHS		Consolidating		Consolidated	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Eliminations	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support:								
Investment income	\$ 11,151	35,218	46,369	-	-	11,151	46,554	57,705
Program support	64,453	28,493,316	28,557,769	-	(2,296,260)	64,453	26,197,056	26,261,509
Indirect cost recovery revenue	2,296,260	-	2,296,260	-	-	2,296,260	-	2,296,260
Conference registrations	-	378,539	378,539	-	-	-	378,539	378,539
Capital campaign	111,600	-	111,600	-	-	111,600	-	111,600
Other revenue	59,211	(51,477)	7,734	-	-	59,211	(51,477)	7,734
Gifts-in-kind	-	-	-	1,120,648,955	-	-	1,120,648,955	1,120,648,955
Net assets released from restrictions	24,840,039	(24,840,039)	-	(1,120,650,106)	2,296,260	1,143,193,885	(1,143,193,885)	-
Total revenues, gains, and other support	27,382,714	4,015,557	31,398,271	10,185	(2,296,260)	1,145,736,560	4,025,742	1,149,762,302
Expenses:								
Program	24,816,995	-	24,816,995	-	(2,296,260)	1,143,170,816	-	1,143,170,816
Fundraising	155,900	-	155,900	-	-	155,900	-	155,900
General and administrative	1,775,149	-	1,775,149	-	-	1,775,149	-	1,775,149
Total expenses	26,748,044	-	26,748,044	-	(2,296,260)	1,145,101,865	-	1,145,101,865
Change in net assets	634,670	4,015,557	4,650,227	25	-	634,695	4,025,742	4,660,437
Net assets at beginning of year	3,056,030	27,371,984	30,428,014	3,984,081	-	3,056,030	31,356,065	34,412,095
Transfers	-	1,638,529	1,638,529	(1,638,529)	-	-	-	-
Net assets at end of year	\$ 3,690,700	33,026,070	36,716,770	2,355,737	-	3,690,725	35,381,807	39,072,532

See accompanying independent auditor's report.