

TASK FORCE FOR GLOBAL HEALTH, INC.

Consolidated Financial Statements

August 31, 2017 and 2016

With Independent Auditor's Report Thereon

Independent Auditor's Report

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

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Task Force for Global Health, Inc. (“the Task Force”) which comprise the consolidated statements of financial position as of August 31, 2017 and 2016, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

Auditor’s Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audits. I conducted my audits 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 consolidated 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Task Force as of August 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

James Dyhouse, CPA

October 18, 2017

TASK FORCE FOR GLOBAL HEALTH, INC.

Consolidated Statement of Activities

Year ended August 31, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support:			
Interest income	\$ 20,213	69,550	89,763
Program support	136,185	59,896,186	60,032,371
Indirect cost recovery revenue (note 5)	7,305,065	-	7,305,065
Conference registrations	-	209,147	209,147
Capital Campaign	10,101,180	100,000	10,201,180
Other revenue	567,125	1,500	568,625
Gifts-in-kind (note 6)	-	2,619,112,431	2,619,112,431
Net assets released from restrictions	2,667,418,199	(2,667,418,199)	-
Total revenues, gains, and other support	2,685,547,967	11,970,615	2,697,518,582
Expenses:			
Program	2,667,418,198	-	2,667,418,198
Fundraising	147,507	-	147,507
General and administrative	6,584,419	-	6,584,419
Total expenses	2,674,150,124	-	2,674,150,124
Change in net assets	11,397,843	11,970,615	23,368,458
Net assets at beginning of year	14,074,159	29,519,709	43,593,868
Net assets at end of year	\$ 25,472,002	41,490,324	66,962,326

See accompanying notes to consolidated financial statements.

TASK FORCE FOR GLOBAL HEALTH, INC.

Consolidated Statement of Activities

Year ended August 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support:			
Investment income	\$ 936	7,928	8,864
Program support	2,028,933	36,088,627	38,117,560
Indirect cost recovery revenue (note 5)	5,542,131	-	5,542,131
Conference registrations	-	42,107	42,107
Other revenue	667,611	9,530	677,141
Gifts-in-kind (note 6)	-	3,126,467,710	3,126,467,710
Net assets released from restrictions	3,169,724,761	(3,169,724,761)	-
Total revenues, gains, and other support	3,177,964,372	(7,108,859)	3,170,855,513
Expenses:			
Program	3,167,370,921	-	3,167,370,921
Fundraising	357,380	-	357,380
General and administrative	4,637,542	-	4,637,542
Total expenses	3,172,365,843	-	3,172,365,843
Change in net assets	5,598,529	(7,108,859)	(1,510,330)
Net assets at beginning of year	8,475,630	36,628,568	45,104,198
Net assets at end of year	\$ 14,074,159	29,519,709	43,593,868

See accompanying notes to consolidated financial statements.

TASK FORCE FOR GLOBAL HEALTH, INC.

Consolidated Statements of Cash Flows

Years ended August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 23,368,458	(1,510,330)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	368,316	317,642
Decrease (increase) in receivables	1,231,199	(1,711,602)
Decrease in prepaid expenses	66,910	264,382
Decrease in deposits	243,695	-
Increase in accounts payable	316,513	91,293
Increase (decrease) in accrued absences	65,212	(605,578)
Increase in payroll liabilities	218,940	64,469
Increase (decrease) in other accrued liabilities	337,248	(90,588)
Net cash provided by (used in) operating activities	<u>26,216,491</u>	<u>(3,180,312)</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(14,802,071)</u>	<u>(84,385)</u>
Net cash (used in) investing activities	<u>(14,802,071)</u>	<u>(84,385)</u>
Cash flows from financing activities:		
Proceeds from borrowing	7,000,000	-
Payments on bonds payable	<u>(3,175,000)</u>	<u>(200,000)</u>
Net cash provided by (used in) financing activities	3,825,000	(200,000)
Increase (decrease) in cash and cash equivalents	15,239,420	(3,464,697)
Cash and cash equivalents:		
Beginning of year	<u>39,779,402</u>	<u>43,244,099</u>
End of year	<u>\$ 55,018,822</u>	<u>39,779,402</u>

Supplemental disclosure of cash flow information:

During 2017 and 2016, the Task Force paid approximately \$274,000 and \$62,000 respectively, for interest.

See accompanying notes to consolidated financial statements.

TASK FORCE FOR GLOBAL HEALTH, INC.

Consolidated Statement of Functional Expenses

Year ended August 31, 2017

Programs	Personnel costs	Office expense	Communications	Meeting costs	Travel	Consultants	Interest	Other	Depreciation	(Gifts-in-kind) medication	Total
Health System Strengthening	\$ 5,044,604	1,580,604	88,825	593,237	1,814,434	9,470,179	-	5,938,951	-	-	24,530,834
Center for Vaccine Equity	1,027,586	377,832	11,927	132,276	290,706	468,492	-	3,560,486	-	2,654,197	8,523,502
Neglected Tropical Diseases	5,536,920	862,492	115,256	891,316	1,296,325	6,511,187	-	2,692,132	-	2,616,458,234	2,634,363,862
Total program expense	11,609,110	2,820,928	216,008	1,616,829	3,401,465	16,449,858	-	12,191,569	-	2,619,112,431	2,667,418,198
Fundraising	88,810	-	-	29	-	51,389	-	7,279	-	-	147,507
General and administrative	4,217,832	562,491	54,107	212,372	162,033	294,425	274,028	438,815	368,316	-	6,584,419
Total expense	\$ 15,915,752	3,383,419	270,115	1,829,230	3,563,498	16,795,672	274,028	12,637,663	368,316	2,619,112,431	2,674,150,124

See accompanying notes to consolidated financial statements

TASK FORCE FOR GLOBAL HEALTH, INC.
Consolidated Statement of Functional Expenses

Year ended August 31, 2016

<u>Programs</u>	<u>Personnel costs</u>	<u>Office expense</u>	<u>Communications</u>	<u>Meeting costs</u>	<u>Travel</u>	<u>Consultants</u>	<u>Interest</u>	<u>Other</u>	<u>Depreciation</u>	<u>(Gifts-in-kind) medication</u>	<u>Total</u>
Health System Strengthening	\$ 4,596,555	762,397	196,446	2,270,416	1,043,055	7,742,762	-	3,809,259	-	-	20,420,890
Center for Vaccine Equity	741,976	10,750	3,453	46,316	236,374	751,240	-	1,615,387	-	736,692	4,142,188
Neglected Tropical Diseases	5,249,625	243,754	113,386	925,954	1,462,046	6,322,181	-	2,759,879	-	3,125,731,018	3,142,807,843
Total program expense	10,588,156	1,016,901	313,285	3,242,686	2,741,475	14,816,183	-	8,184,525	-	3,126,467,710	3,167,370,921
Fundraising	287,007	16,956	1,125	-	227	30,967	-	21,098	-	-	357,380
General and administrative	2,731,306	566,907	30,200	220,208	63,281	425,687	61,748	220,563	317,642	-	4,637,542
Total expense	\$ 13,606,469	1,600,764	344,610	3,462,894	2,804,983	15,272,837	61,748	8,426,186	317,642	3,126,467,710	3,172,365,843

See accompanying notes to consolidated financial statements.

TASK FORCE FOR GLOBAL HEALTH INC.

Notes to Consolidated Financial Statements

August 31, 2017 and 2016

(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 to reduce the burden of vaccine preventable and neglected tropical diseases and strengthen health delivery systems by forging partnerships and applying innovative solutions to global health problems.

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, 2017 and 2016

(e) Grants, and Contracts Receivable

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

(f) 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). Equipment is capitalized if it has a cost of \$5,000 or more and a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred.

(g) 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.

(h) Tax Status

The Task Force is exempt from federal and state 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) Land, Building, and Equipment

Land, building, and equipment consist of the following at August 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Furniture and fixtures	\$ 477,733	477,733
Automobiles	120,665	120,665
Office equipment	590,954	590,954
Land	500,000	500,000
Building – 330 W. Ponce de Leon Ave.	14,802,068	-
Building – 325 Swanton Way	<u>6,057,056</u>	<u>6,057,056</u>
	22,548,476	7,746,408
Less accumulated depreciation	<u>3,040,712</u>	<u>2,672,399</u>
	\$ <u>19,507,764</u>	<u>5,074,009</u>

The building at 330 W. Ponce de Leon Ave. was purchased in December 2016 from DeKalb County. DeKalb County is presently leasing three floors of this building with the lease expiring December 15, 2017. The County has four one year options to renew. Rental income in 2017 was \$560,307.

TASK FORCE FOR GLOBAL HEALTH, INC.

Notes to Consolidated Financial Statements

August 31, 2017 and 2016

(3) Bonds Payable

A summary of bonds payable at August 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
<p>Bond payable mature December 1, 2030 subject to annual redemptions. The bond is secured by the Task Force's land and building. The Development Authority of DeKalb County issued the bond which was purchased and held by SunTrust Bank. The interest rate on the bond bears interest at a per annum rate equal to 67% of 1-month LIBOR plus a margin, reset and payable monthly. These bonds were retired in 2017.</p>	\$ <u> -</u>	<u>3,000,000</u>
<p>Bond payable mature December 1, 2036 subject to annual redemptions. The bond is secured by the Task Force's land and building located at 330 W. Ponce de Leon Ave., Decatur, GA. The Development Authority of DeKalb County issued the bond which was purchased and held by SunTrust Bank. The interest rate on the bonds is variable and was 3.049 percent at August 31, 2017.</p>	\$ <u>6,825,000</u>	<u> -</u>

The aggregate maturities on the bond payable are as follows:

Years ending August 31:

2018	\$	350,000
2019		350,000
2020		350,000
2021		350,000
2022		350,000
Thereafter		<u>5,075,000</u>
	\$	<u>6,825,000</u>

TASK FORCE FOR GLOBAL HEALTH, INC.

Notes to Consolidated Financial Statements

August 31, 2017 and 2016

(4) Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at August 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Time restricted – Capital Campaign	\$ 100,000	-
Health System Strengthening	1,613,328	1,552,844
Center for Vaccine Equity	8,158,562	7,452,990
Neglected Tropical Diseases	<u>31,618,434</u>	<u>20,513,875</u>
	\$ <u>41,490,324</u>	<u>29,519,709</u>

(5) 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 years ended August 31, 2017, and 2016, the amount of indirect cost fee revenue collected totaled \$7,305,065 and \$5,542,131, respectively, and was recorded as unrestricted revenue in the statements of activities.

(6) Gifts-in-Kind

Gifts-in-kind revenue consists of medicine donated to GHS for distribution in Albania, Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Colombia, Congo, Cote d'Ivoire, Democratic Republic of the Congo, Eritrea, Ethiopia, Guinea, Guinea Bissau, Kenya, Kiribati, Laos, Mali, Malawi, Moldova, Mongolia, Morocco, Mozambique, Nepal, Niger, Nigeria, Pakistan, Senegal, Sierra Leone, South Sudan, Sudan, Tanzania, Uganda, Vanuatu, Viet Nam, Yemen, Zambia, Zanzibar and Zimbabwe. Donated medicine is recorded at fair value at \$2,619,112,431 and \$3,126,467,710 for the years ended August 31, 2017 and 2016, respectively.

(7) 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 27.25% of gross salaries for employees for the years ended August 31, 2017 and 2016, resulting in payments into this fringe benefit pool totaling \$3,177,668 and \$2,558,524, respectively.

TASK FORCE FOR GLOBAL HEALTH, INC.

Notes to Consolidated Financial Statements

August 31, 2017 and 2016

(8) Subsequent Events

Subsequent events have been evaluated through October 18, 2017, which is the date the consolidated financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the consolidated financial statements would be required.

TASK FORCE FOR GLOBAL HEALTH, INC.

Consolidating Statement of Financial Position

August 31, 2017

	Task Force	GHS	Consolidating Eliminations	Consolidated Total
Assets				
Cash and cash equivalents	\$ 55,018,822	-	-	55,018,822
Grants, contracts and other receivables	6,153,650	-	(3,000,000)	3,153,650
Prepaid expenses	216,765	-	-	216,765
Land, building, and equipment, net	19,507,764	-	-	19,507,764
Total assets	\$ 80,897,001	-	(3,000,000)	77,897,001
Liabilities				
Accounts payable	\$ 2,072,587	-	-	2,072,587
Accrued absences	275,837	-	-	275,837
Payroll liabilities	1,298,655	-	-	1,298,655
Other accrued liabilities	3,462,596	-	(3,000,000)	462,596
Bonds payable	6,825,000	-	-	6,825,000
Total liabilities	13,934,675	-	(3,000,000)	10,934,675
Net assets				
Unrestricted	25,472,002	-	-	25,472,002
Temporarily restricted	41,490,324	-	-	41,490,324
Total net assets	66,962,326	-	-	66,962,326
Total liabilities and net assets	\$ 80,897,001	-	(3,000,000)	77,897,001

See accompanying independent auditor's report.

TASK FORCE FOR GLOBAL HEALTH, INC.

Consolidating Statement of Activities

Year ended August 31, 2017

	Task Force		GHS			Consolidated	
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Eliminations	Total
Revenues, gains, and other support:							
Interest income	\$ 20,213	69,550	89,763	-	-	-	89,763
Program support	136,185	67,201,251	67,337,436	-	-	(7,305,065)	60,032,371
Indirect cost recovery revenue	7,305,065	-	7,305,065	-	-	-	7,305,065
Conference registrations	-	209,147	209,147	-	-	-	209,147
Capital Campaign	10,101,180	100,000	10,201,180	-	-	-	10,201,180
Other revenue	567,125	1,500	568,625	-	-	-	568,625
Gifts-in-kind	-	-	-	2,619,112,431	2,619,112,431	7,305,065	2,619,112,431
Net assets released from restrictions	55,610,833	(55,610,833)	-	2,619,112,431	(2,619,112,431)	(7,305,065)	-
Total revenues, gains, and other support	73,740,601	11,970,615	85,711,216	2,619,112,431	-	(7,305,065)	2,697,518,582
Expenses:							
Program	55,610,832	-	55,610,832	2,619,112,431	-	(7,305,065)	2,667,418,198
Fundraising	147,507	-	147,507	-	-	-	147,507
General and administrative	6,584,419	-	6,584,419	-	-	-	6,584,419
Total expenses	62,342,758	-	62,342,758	2,619,112,431	-	(7,305,065)	2,674,150,124
Change in net assets	11,397,843	11,970,615	23,368,458	-	-	-	23,368,458
Net assets at beginning of year	14,074,159	29,519,709	43,593,868	-	-	-	43,593,868
Net assets at end of year	\$ 25,472,002	41,490,324	66,962,326	-	-	-	66,962,326

See accompanying independent auditor's report.