VILLAGE HEALTH WORKS

Financial Statements

For the years ended December 31, 2010
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Independent Auditor’s Report

To the Board of Directors
Village Health Works
New York, New York

We have audited the accompanying statement of financial position of Village Health Works as of December 31, 2010 and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of Village Health Works’ management. Our responsibility is to express an opinion on these 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 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. 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 Village Health Works as of December 31, 2010 and the changes in its net assets and its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

New York, New York
September 9, 2011
VILLAGE HEALTH WORKS
Statement of Financial Position
December 31, 2010

Assets
Cash $ 24,581
Due from Partners In Health – Note 5 267,357
Contribution receivable 131,478
Fixed assets – at cost – net of accumulated depreciation
   of $122,372 – Notes 2 and 3 475,908

Total assets $ 899,324

Liabilities and net assets
Current liabilities
Accounts payable and accrued expenses $ 7,944
Other payable – Note 4 23,943

Total liabilities 31,887

Net assets
Unrestricted 867,437

Total net assets 867,437

Total liabilities and net assets $ 899,324

The accompanying note are integral part of this statement.
VILLAGE HEALTH WORKS
Statement of Activities and Change in Net Assets
For the year ended December 31, 2010

<table>
<thead>
<tr>
<th>Revenue and other support</th>
<th>Unrestricted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>$ 663,726</td>
</tr>
<tr>
<td>Program fees</td>
<td>22,878</td>
</tr>
<tr>
<td>Special event income (net of direct expenses of $3,218)</td>
<td>34,898</td>
</tr>
<tr>
<td>In-kind revenue</td>
<td>16,800</td>
</tr>
<tr>
<td>Total revenue and other support</td>
<td>738,302</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Program services</td>
<td>331,603</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Supporting services</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Management and general</td>
<td>87,763</td>
</tr>
<tr>
<td>Fundraising</td>
<td>32,720</td>
</tr>
<tr>
<td>Total supporting services</td>
<td>120,483</td>
</tr>
</tbody>
</table>

Total expenses                                                  | 452,086      |

| Change in net assets                                           | 286,216      |
| Net assets - beginning balance                                 | 581,221      |
| Net assets - ending balance                                    | $ 867,437    |

The accompanying notes are an integral part of this statement.
## Statement of Functional Expenses

For the year ended December 31, 2010

<table>
<thead>
<tr>
<th>Program services</th>
<th>Supporting services</th>
<th>Total program and supporting services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Management and general</td>
<td>Fund raising</td>
</tr>
<tr>
<td>Salaries and payroll taxes</td>
<td>$173,388</td>
<td>$55,985</td>
</tr>
<tr>
<td>Other benefits</td>
<td>954</td>
<td>1,907</td>
</tr>
<tr>
<td>Total payroll expenses</td>
<td>174,342</td>
<td>57,892</td>
</tr>
<tr>
<td>Professional fees</td>
<td>2,000</td>
<td>10,500</td>
</tr>
<tr>
<td>Occupancy</td>
<td>10,374</td>
<td>12,600</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>1,018</td>
<td>1,911</td>
</tr>
<tr>
<td>Office expenses</td>
<td>4,186</td>
<td>1,048</td>
</tr>
<tr>
<td>Telephone and internet service</td>
<td>524</td>
<td>1,048</td>
</tr>
<tr>
<td>Postage</td>
<td>47,902</td>
<td>8,475</td>
</tr>
<tr>
<td>Program support</td>
<td>1,851</td>
<td>4,892</td>
</tr>
<tr>
<td>Hospital and clinic supplies</td>
<td>32,242</td>
<td>682</td>
</tr>
<tr>
<td>Training program</td>
<td>558</td>
<td>570</td>
</tr>
<tr>
<td>Medicine/laboratory testing</td>
<td>41,328</td>
<td>41,328</td>
</tr>
</tbody>
</table>

$331,603 $87,763 $32,720 $120,483 $452,086

The accompanying note are integral part of this statement.
VILLAGE HEALTH WORKS
Statement of Cash Flows
For the year ended December 31, 2010

Cash flows from operating activities
Change in net assets $ 286,216

Adjustments to reconcile change in net assets
to net cash provided by operating activities:

Depreciation 41,328
Change in due from Partners In Health ( 175,728)
Change in contribution receivable ( 131,478)
Change in accounts payable and accrued expenses ( 7,231)

Net cash provided by operating activities 13,107

Cash flows from investing activities
Acquisition of fixed assets ( 4,626)

Net cash used in investing activities ( 4,626)

Net increase in cash 8,481
Cash balance as of beginning of year 16,100

Cash balance as of end of year $ 24,581

The accompanying note are integral part of this statement.
VILLAGE HEALTH WORKS
Notes to Financial Statements
December 31,

Note 1 Organization

Village Health Works ("VHW") is a collaborative effort between people who share in the vision to provide quality, compassionate healthcare in a dignified environment while treating the root causes of illness and disease. Burundi is one of the poorest countries in the world and has health statistics that reflect this profound impoverishment. The relationship between socio-economic status and health is obvious to members of poor communities around the globe who, in their daily lives, are acutely aware of the link between ill health and lack of food, shelter and clean water. Yet, few organizations that provide health care in poor communities also tackle the root causes of poor health. Working with the communities we serve, we continue to create and strengthen health care facilities and services and secure clean water and nutritious food, while providing health education and economic opportunities.

VHW is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provisions of the State Code.

Programs that recognize health as a human right. The relationship between socio-economic status and health is obvious to members of poor communities who, in their daily lives, witness the link between ill health and lack of food, shelter and clean water. VHW works to simultaneously address the social determinants of ill health and provide quality, compassionate health care.

I. Clinical Programs
   a. Community oriented, comprehensive primary health care
   b. Child health
   c. Nutrition
   d. Women’s health, obstetrics and prenatal care
   e. HIV, TB and malaria programs

II. Local community involvement
   a. Community health workers
   b. Women’s committee
   c. General works committee

III. Addressing the social determinants of health
   a. Food security
   b. Potable water
   c. Education
   d. Employment and economic development

VHW is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provisions of the State Code.
Note 2  Summary of significant accounting policies

Accounting policies. The financial statements have been prepared using the accrual basis of accounting.

Support. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

Unconditional and conditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rate applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Gifts of goods and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. In the absence of explicit donor stipulations about how long those long-lived assets must be maintained, VHW reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Net assets. Net assets are classified as follows:

Unrestricted - this class includes net assets from unrestricted contributions and from other resources not subject to donor-imposed restrictions.

Temporarily restricted - this class includes net assets from restricted contributions (temporary restrictions) whose donor-imposed restrictions have not been met due to actions of VHW and/or the passage of time.

Fixed assets. Building, building improvements and clinic equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method.

<table>
<thead>
<tr>
<th></th>
<th>Estimated life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building and building improvements</td>
<td>40 years</td>
</tr>
<tr>
<td>Clinic equipment</td>
<td>5 years</td>
</tr>
</tbody>
</table>
**Note 2  Summary of significant accounting policies - (continued)**

**Cash and cash equivalents.** For the purpose of the accompanying statements of cash flows, organization considers highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

**Functional allocation of expenses.** The cost of providing the various programs and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management.

**ACS Topic 740 – Accounting for uncertainty in income taxes.** Management has considered possible areas of uncertain tax positions and possible areas of risk to its tax-exempt status. Management has evaluated and concluded that VHW has no uncertain tax positions and that a tax examination would sustain VHW’s tax exempt status. Tax years 2007, 2008 and 2009 remain open and are subject to examination.

**Use of estimates.** The preparation of financial statements in conformity with 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.

**Subsequent events.** VHW evaluated its December 31, 2010 financial statements for subsequent events through September 9, 2011, the date the financial statements were available to be issued. VHW is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

**Note 3  Fixed assets**

As of December 31, 2010, the costs of the assets and the related accumulated depreciation were as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$70,000</td>
</tr>
<tr>
<td>Building and building improvements</td>
<td>347,853</td>
</tr>
<tr>
<td>Clinic Equipment</td>
<td>180,427</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>598,280</td>
</tr>
<tr>
<td><strong>Less: accumulated depreciation</strong></td>
<td>122,372</td>
</tr>
<tr>
<td><strong>Net</strong></td>
<td>$475,908</td>
</tr>
</tbody>
</table>
VILLAGE HEALTH WORKS
Notes to Financial Statements
December 31,

Note 4 Other payable

As of December 31, 2010, the other payables were as follows:

Due to VHW’s officer for construction payments on behalf of VHW $9,543
Due to VHW’s officer for accrued payroll 14,400

Total $23,943

Note 5 Due from Partners In Health

Partners In Health ("PIH") is a tax-exempt international public charity established to provide a preferential option for the poor by bringing the benefits of modern medical science to those who are in need. PIH works in various countries around the world to confront the most intractable health care and social justice problems through service, training, advocacy and research. PIH provides fiscal support services to VHW until such time as VHW is able to work independently of PIH and maintain VHW's own fiscal services. Due from PIH was $267,357 as of December 31, 2010.