VILLAGEREACH

Financial Statements with Supplemental Information
and Independent Auditors' Report

September 30, 2010

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Certified Public
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Independent Auditors' Report

Board of Directors
VillageReach
Seattle, Washington

We have audited the accompanying statement of financial position of VillageReach (the Organization) as of September 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's September 30, 2009 financial statements and, in our report dated February 2, 2010 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 the Organization as of September 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule on page 10 is presented for purposes 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 financial statements taken as a whole.

Clark Nuber P. S.

Certified Public Accountants
February 16, 2011

VILLAGEREACH

Statement of Financial Position
September 30, 2010
(With Comparative Totals for 2009)

	2010	2009
Assets:		
Cash and cash equivalents	$ 408,424	$ 392,709
Grants receivable (Note 2)	62,500	255,000
Contracts receivable	82,629	
Prepaid expenses	18,797	8,984
Total Current Assets	**572,350**	**656,693**
Fixed assets, net (Note 4)	508,661	258,520
Total Assets	**$ 1,081,011**	**$ 915,213**
Liabilities and Net Assets:		
Current Liabilities		
Accounts payable and accrued expenses	$ 88,184	$ 41,488
Total Liabilities	**88,184**	**41,488**
Net Assets		
Unrestricted	786,748	409,022
Temporarily restricted (Note 5)	206,079	464,703
Total Net Assets	**992,827**	**873,725**
Total Liabilities and Net Assets	**$ 1,081,011**	**$ 915,213**

The accompanying notes are an integral part of the financial statements.

VILLAGEREACH

Statement of Activities
Year Ended September 30, 2010
(With Comparative Totals for 2009)

	Unrestricted	*Temporarily Restricted*	*2010 Total*	*2009 Total*
Public Support and Revenue:				
Public support-				
Contributions and grants	$ 1,006,491	$ 313,004	$ 1,319,495	$ 755,477
In-kind contributions	169,385		169,385	167,541
Total public support	1,175,876	313,004	1,488,880	923,018
Contract revenue	506,003		506,003	42,700
Interest and dividends	1,261		1,261	3,436
Other income	4,002		4,002	8,981
Net assets released from restrictions	571,628	(571,628)		
Total Public Support and Revenue	**2,258,770**	**(258,624)**	**2,000,146**	**978,135**
Expenses:				
Program services	1,531,264		1,531,264	908,062
Supporting services-				
Management and general	209,673		209,673	151,235
Fundraising	140,107		140,107	187,510
Total supporting services	349,780		349,780	338,745
Total Expenses	**1,881,044**		**1,881,044**	**1,246,807**
Change in Net Assets	**377,726**	**(258,624)**	**119,102**	**(268,672)**
Net assets, beginning of year	409,022	464,703	873,725	1,142,397
Net Assets, End of Year	**$ 786,748**	**$ 206,079**	**$ 992,827**	**$ 873,725**

The accompanying notes are an integral part of the financial statements.

VILLAGEREACH

Statement of Cash Flows
Year Ended September 30, 2010
(With Comparative Totals for 2009)

	2010	*2009*
Cash Flows from Operating Activities:		
Change in net assets	$ 119,102	$ (268,672)
Adjustments to reconcile change in net assets to		
net cash provided by operating activities-		
Depreciation	40,666	16,640
Loss on sale of fixed assets	2,914	
Changes in assets and liabilities:		
Grants receivable	192,500	(5,000)
Contracts receivable	(82,629)	
Prepaid expenses	(9,813)	3,592
Accounts payable and accrued expenses	46,696	12,653
Net Cash Provided (Used) by Operating Activities	**309,436**	**(240,787)**
Cash Flows from Investing Activities:		
Purchases of fixed assets	(297,557)	(148,454)
Proceeds from sale of fixed assets	3,836	
Net Cash Used by Investing Activities	**(293,721)**	**(148,454)**
Net Change in Cash	**15,715**	**(389,241)**
Cash balance, beginning of year	392,709	781,950
Cash Balance, End of Year	**$ 408,424**	**$ 392,709**

The accompanying notes are an integral part of the financial statements.

Note 1 - Nature of Operations and Significant Accounting Policies

Nature of Operations - VillageReach is a non-profit organization (the Organization) operating in Seattle, Washington, Mozambique, and Malawi. It is a Section 501(c)(3) entity per the Internal Revenue Code in the United States and is a non-governmental organization in the countries of Mozambique and Malawi. The Organization's mission is to save lives and improve well-being in developing countries by increasing community access to healthcare and other essential services. The Organization works to establish the infrastructure required for the delivery of vaccines to remote villagers in developing countries, and other activities that improve health systems at the "last mile".

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Cash and Cash Equivalents - The Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Grants Receivable - Grants and contributions, including any unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give, due in the next year, are recorded at their net realizable value. Unconditional promises to give, due in subsequent years, are reported at the present value of their net realizable value, using risk adjusted interest rates applicable to the years in which the payments are to be received.

Contracts Receivable - Contracts receivable are carried at original invoice amount less an estimate made for doubtful accounts based on a review of all outstanding amounts on a monthly basis. Management has not recorded an allowance for doubtful accounts as of September 30, 2010.

Fixed Assets - The Organization capitalizes assets with a cost greater than $1,000 and an estimated useful life of one or more years. Depreciation is computed utilizing the straight-line method using estimated useful lives of three to five years for equipment, software, vehicles, furniture and fixtures.

The costs of repairs and maintenance are expensed as incurred. The costs of improvements and acquisitions are capitalized. Contributed property and equipment is recorded at fair value at the date of donation.

Net Assets - Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

> Unrestricted Net Assets - Net assets that are not subject to externally-imposed restrictions.
>
> Temporarily Restricted Net Assets - Net assets subject to externally-imposed restrictions that will be met either by action of the Organization or the passage of time.
>
> Permanently Restricted Net Assets - Net assets subject to externally-imposed restrictions that stipulate the resources be maintained permanently. The Organization had no permanently restricted net assets as of September 30, 2010 and 2009.

Note 1 - Continued

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. It is the Organization's policy to recognize restricted contributions in the unrestricted net asset class if the restrictions have been met in the same year the contributions were recognized.

Revenue Recognition - Contributions are recognized in the period received, including unconditional promises to give. Contract revenue is recognized as services are provided.

In-Kind Contributions - The Organization receives donated materials and services. Donated goods and use of facilities are recorded at fair market value at the date of receipt. Donated services are recorded only if specific professional expertise is provided or the services are for constructing a fixed asset, in accordance with GAAP.

Donated goods and services consisted of the following at September 30:

	2010	*2009*
Donated salaries	$ 120,000	$ 120,000
Donated lease of office space	49,385	47,541
Total	**$ 169,385**	**$ 167,541**

Allocation of Functional Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes - The Organization is a Section 501(c)(3) organization under the Internal Revenue Code and, as such, is exempt from federal income tax. Accordingly, the Organization has not made any provision for income tax expense. The Organization files income tax returns with the U.S. government. The Organization is subject to income tax examinations for the current year and certain prior years based on the applicable laws and regulations.

Concentrations - The Organization places its cash with FDIC insured financial institutions. At September 30, 2010, the Organization had cash on deposit in excess of the federally insured limits.

For the year ended September 30, 2010, the Organization received $425,000 in grants from two organizations, which represents 32% of total contribution and grant revenue. At September 30, 2010, the entire grant receivable balance is due from one organization.

The Organization also received $384,919 from one contract, which represents 76% of total contract revenue for the year ended September 30, 2010. At September 30, 2010, 76% of the contracts receivable is due from two contracts.

Note 1 - Continued

For the year ended September 30, 2009, the Organization received $475,000 in grants from three organizations, which represented 63% of total contribution and grant revenue. At September 30, 2009, the entire grants receivable balance was due from three organizations. In addition, the entire contract revenue for the year ended September 30, 2009 was from three contracts.

Use of Estimates - The preparation of financial statements in conformity with GAAP 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.

Foreign Operations - The functional currencies of the Organization’s foreign operations are the local currencies. The financial statements of the Organization’s foreign operations have been translated into U.S. dollars in accordance with GAAP. All statement of financial position accounts have been translated using the exchange rate in effect at the statement of financial position dates. Statement of activities amounts have been translated using the average exchange rate for the year. For the year ended September 30, 2010, the Organization recognized a foreign currency translation gain of $3,559. The gain is included as “other income” on the statement of activities. For the year ended September 30, 2009, the Organization recognized a foreign currency translation loss of $2,606. The loss is included as an expense on the statement of activities.

Summarized Information for Prior Year - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended September 30, 2009, from which the summarized information was derived.

Subsequent Events - The Organization has evaluated subsequent events through February 16, 2011, the date on which the financial statements were approved and authorized for issuance by management.

Note 2 - Grants Receivable

Grants receivable totaled $62,500 and $255,000 at September 30, 2010 and 2009, respectively. The entire balance is due within one year.

Note 3 - Investment in VidaGas

Prior to September 30, 2010, the Organization had a 48% ownership interest in VidaGas, a for-profit liquid propane supplier, formed in 2002, in Mozambique. The remaining 52% was owned by a local non-governmental organization (Foundation for Community Development) that partners with the Organization in its mission to improve health care access in Mozambique. The partnership was formed because of the importance of a ready supply of liquid propane to the distribution and storage of vaccines. It is considered an extension of the Organization’s mission in Mozambique. Propane sales are made to the public.

Note 3 - Continued

The investment in VidaGas is accounted for under the equity method in the financial statements of the Organization. However, due to negative retained earnings, which were considered other than temporary impairment in the investment, the carrying value in VidaGas was reduced to zero during the year ended September 30, 2006. Therefore no investment value is recorded in the statement of financial position. Management has reviewed the assessment of VidaGas for the year ended September 30, 2010 and has determined that the investment should remain at zero.

During the year ended September 30, 2010, Oasis Capital Limited purchased capital shares of VidaGas by investing $1,375,000, to be paid in three installment payments over 15 months. The Organization’s interest in VidaGas will decrease to 35%, 29%, and 25% after the first, second and third payments are made, respectively. As of September 30, 2010, the second payment had been made, with the Organization’s interest in VidaGas being 29%. The Organization will continue to account for the investment under the equity method in the financial statements.

Note 4 - Fixed Assets

Fixed assets consisted of the following at September 30:

	2010	*2009*
Furniture and fixtures	$ 1,941	$ 1,941
Vehicles	157,799	43,225
Equipment	41,431	31,045
Software	376,588	
Software in development		215,241
Total fixed assets	577,759	291,452
Less accumulated depreciation	(69,098)	(32,932)
Fixed Assets, Net	**$ 508,661**	**$ 258,520**

Note 5 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	2010	*2009*
Program services	$ 143,579	$ 334,703
Time restriction	62,500	130,000
	$ 206,079	**$ 464,703**

Note 6 - Future Lease Commitments

The Organization maintains a regional office in Maputo, Mozambique. The lease is an annual lease with an option to renew on July 1, 2011. Cancellation of the agreement can be made with 30 days advance notice prior to July 1, 2011. Remaining lease commitments through July 1, 2011 total $7,178.

Note 7 - Subsequent Event

Effective January 1, 2011, the Organization implemented a retirement plan that covers all employees who are at least 21 years of age with at least three months of service. The Organization will make a matching contribution of 100% of the employees' deferrals up to 3% of the employee's compensation.

SUPPLEMENTAL INFORMATION

VILLAGEREACH

Statement of Functional Expenses
Year Ended September 30, 2010
(With Comparative Totals for 2009)

	Program Services	*Management and General*	*Fundraising*	*2010 Total*	*2009 Total*
Salaries	$ 450,900	$ 81,412	$ 45,150	$ 577,462	$ 527,946
Employee benefits and payroll taxes	61,479	14,467	4,450	80,396	55,446
Total Salaries and Related Expenses	**512,379**	**95,879**	**49,600**	**657,858**	**583,392**
Professional fees	243,597	69,843	70,862	384,302	254,830
Subagreements	328,425			328,425	
Travel and lodging	132,824	1,230		134,054	138,587
Supplies	111,221	2,006		113,227	60,391
Rent	45,400	12,415	4,384	62,199	66,112
Contract labor	43,999			43,999	18,989
Depreciation	33,136	4,531	2,999	40,666	16,640
Vehicles	23,578			23,578	18,461
Computer related services	5,678	10,498	354	16,530	11,274
Dues and subscriptions	6,240	825	6,808	13,873	895
Insurance	11,281	1,543	1,020	13,844	14,833
Telephone	12,119	1,691		13,810	12,154
Printing and publications	3,154	554	2,758	6,466	7,964
Conferences	4,833		1,176	6,009	11,036
Meals and entertainment	2,666	1,956	56	4,678	12,576
Bank charges	1,476	2,807	90	4,373	5,798
Repairs and maintenance	2,701	621		3,322	3,613
Taxes and licenses	2,364	339		2,703	304
Miscellaneous	1,597	2,914		4,511	3,759
Utilities	1,203			1,203	1,257
Staff training and education	1,094			1,094	777
Postage and mailing	299	21		320	559
Foreign exchange loss					2,606
Total Expenses	**$ 1,531,264**	**$ 209,673**	**$ 140,107**	**$ 1,881,044**	**$ 1,246,807**

See independent auditors' report.