VILLAGEREACH

Financial Statements and
Independent Auditors' Report

September 30, 2009

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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, 2009, 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, 2008 financial statements and, in our report dated February 6, 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 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, 2009, 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 PS

Certified Public Accountants
February 2, 2010

VILLAGEREACH

Statement of Financial Position
September 30, 2009
(With Comparative Totals for 2008)

		2009		2008
Assets:				
Cash and cash equivalents	$	392,709	$	781,950
Grants receivable (Note 2)		255,000		250,000
Prepaid expenses		8,984		12,576
Total Current Assets		**656,693**		**1,044,526**
Fixed assets (Note 4)		258,520		126,706
Total Assets	**$**	**915,213**	**$**	**1,171,232**
Liabilities and Net Assets:				
Current Liabilities				
Accounts payable and accrued expenses	$	41,488	$	28,835
Net Assets				
Unrestricted		409,022		731,795
Temporarily restricted (Note 5)		464,703		410,602
Total Net Assets		**873,725**		**1,142,397**
Total Liabilities and Net Assets	**$**	**915,213**	**$**	**1,171,232**

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

VILLAGEREACH

Statement of Activities
Year Ended September 30, 2009
(With Comparative Totals for 2008)

	Unrestricted	*Temporarily Restricted*	*2009 Total*	*2008 Total*
Public Support and Revenue:				
Public support -				
Contributions	$ 250,477	$ 505,000	$ 755,477	$ 737,776
Contributions in-kind	167,541		167,541	88,209
Total public support	418,018	505,000	923,018	825,985
Contract revenue	42,700		42,700	5,000
Interest and dividends	3,436		3,436	23,845
Other income	8,981		8,981	15
Net assets released from restrictions	450,899	(450,899)		
Total Public Support and Revenue	**924,034**	**54,101**	**978,135**	**854,845**
Expenses:				
Program services	908,062		908,062	770,072
Supporting services				
Management and general	151,235		151,235	222,306
Fundraising	187,510		187,510	84,666
Total supporting services	338,745		338,745	306,972
Total Expenses	**1,246,807**		**1,246,807**	**1,077,044**
Change in Net Assets	**(322,773)**	**54,101**	**(268,672)**	**(222,199)**
Net assets, beginning of year	731,795	410,602	1,142,397	1,364,596
Net Assets, End of Year	**$ 409,022**	**$ 464,703**	**$ 873,725**	**$ 1,142,397**

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

VILLAGEREACH

Statement of Cash Flows
Year Ended September 30, 2009
(With Comparative Totals for 2008)

	2009	*2008*
Cash Flows from Operating Activities:		
Change in net assets	$ (268,672)	$ (222,199)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	16,640	10,418
Changes in assets and liabilities		
Grants receivable	(5,000)	150,245
Prepaid expenses	3,592	(870)
Accounts payables and accrued expenses	12,653	13,216
Net Cash Used by Operating Activities	**(240,787)**	**(49,190)**
Cash Flows from Investing Activities:		
Purchases of fixed assets	(148,454)	(123,703)
Net Change in Cash	**(389,241)**	**(172,893)**
Cash balance, beginning of year	781,950	954,843
Cash Balance, End of Year	**$ 392,709**	**$ 781,950**

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.

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.

Cash and 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 promises are to be received.

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 3 to 5 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, 2009 and 2008.

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.

Donated Assets and Services - 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 generally accepted accounting principles.

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

	2009	*2008*
Donated salaries	$ 120,000	$ 50,000
Donated lease of office space	47,541	38,209
Total	**$ 167,541**	**$ 88,209**

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.

Concentrations - The Organization places its cash with FDIC insured financial institutions. At September 30, 2009, the Organization had cash on deposit in excess of the federally insured limits.

The Organization receives grants as its primary revenue source; the Organization received $475,000 (63% of total revenue) in grants from three foundations for the year ended September 30, 2009. In addition, the Organization's entire grant receivable balance of $255,000 at September 30, 2009 is due from three organizations.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Note 1 - Continued

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 generally accepted accounting principles. All statement of financial position accounts have been translated using the exchange rate in effect at the statement of financial position dates. Statements of activities amounts have been translated using the average exchange rate for the year.

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2008, from which the summarized information was derived.

Recent Accounting Pronouncements - The Organization follows generally accepted accounting principles (GAAP) for the accounting for uncertainty in income tax. The standard clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with the standard related to accounting for income taxes. The standard requires the evaluation of tax positions taken or expected to be taken in the course of preparing the entity's tax returns to determine whether the tax positions are "more-likely-than-not" to be sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense in the current year. For fiscal years beginning before December 31, 2008, and including the year ended September 30, 2009, relevant generally accepted accounting principles relate to the accounting for contingencies. The Organization's management is evaluating the impact this new principle will have to its financial statements. Until the principle is implemented, the Organization will continue following generally accepted accounting principles for the accounting for contingencies when accounting for any uncertain tax positions.

Reclassifications - Certain reclassifications were made to the 2008 financial statements to conform to the current period presentation. The reclassifications have no effect on previously reported change in net assets or net assets.

Subsequent Events - The Organization has evaluated subsequent events through February 2, 2010, the date on which the financial statements were approved and authorized for issuance by management.

Note 2 - Grants Receivable

Grants receivable totaled $255,000 and $250,000 at September 30, 2009 and 2008, respectively. The entire balance is due within one year.

Note 3 - Investment in VidaGas

The Organization has a 48% ownership interest in VidaGas, a for-profit liquid propane supplier, formed in 2002, in Mozambique. The remaining 52% is 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, 2009 and has determined that the investment should remain at zero.

Subsequent to September 30, 2009, 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 25% after the final payment is made. 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:

	2009	*2008*
Furniture and fixtures	$ 1,941	$ 1,941
Vehicles	43,225	43,225
Equipment	31,045	27,622
Software in development	215,241	70,210
Total fixed assets	291,452	142,998
Less accumulated depreciation	(32,932)	(16,292)
Net Fixed Assets	**$ 258,520**	**$ 126,706**

Note 5 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	2009	*2008*
Program services	$ 334,703	$ 160,602
Time restriction	130,000	250,000
	$ 464,703	**$ 410,602**

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, 2010. Cancellation of the agreement can be made with 30 days advance notice prior to July 1, 2010. Remaining lease commitments through July 1, 2010 total $8,352.

Note 7 - Going Concern Uncertainty and Future Plans

The Organization had large pledges in past years that were recorded as revenue in the year that the donations were pledged, rather than in the year pledge payments were received. Partly due to this method of recording revenue, these financial statements show losses from operations over the past few years.

Management estimates that assets currently available are sufficient to fund the Organization's full plans through 2010, and, if necessary, the Organization can reduce costs to continue operation beyond 2010. To strengthen the Organization's overall financial position, the Organization is actively in discussion with current and potential donors for new funding. The Organization has already obtained additional contracts to perform consulting work with third parties, and negotiations for future contracts show early indications of success.

The Organization is dependent upon the success of these efforts to continue as a going concern. The financial statements do not include any adjustments that might be necessary if the Organization is unable to continue as a going concern.

SUPPLEMENTAL INFORMATION

VILLAGEREACH

Statement of Functional Expenses
Year Ended September 30, 2009
(With Comparative Totals for 2008)

	Program Services	*Management and General*	*Fundraising*	*2009 Total*	*2008 Total*
Salaries	$ 400,347	$ 46,787	$ 80,812	$ 527,946	$ 450,890
Employee benefits and payroll taxes	42,961	6,573	5,912	55,446	49,630
Total Salaries and Related Expenses	**443,308**	**53,360**	**86,724**	**583,392**	**500,520**
Professional fees	126,082	47,537	81,211	254,830	131,878
Travel and lodging	132,176	532	5,879	138,587	188,641
Rent	45,828	13,787	6,497	66,112	47,855
Office supplies	57,399	2,992		60,391	15,411
Contract labor	17,489		1,500	18,989	93,826
Vehicles	18,461			18,461	15,603
Depreciation	12,411	4,229		16,640	10,418
Insurance	1,364	13,469		14,833	17,078
Meals and entertainment	9,396	3,044	136	12,576	8,160
Telephone	10,851	1,303		12,154	11,112
Computer related services	3,458	7,816		11,274	11,152
Conferences	9,318		1,718	11,036	5,854
Printing and publications	4,205	363	3,396	7,964	1,575
Bank charges	3,596	2,202		5,798	6,838
Miscellaneous	3,718	41		3,759	180
Repairs and maintenance	3,613			3,613	3,033
Foreign exchange loss	2,568	38		2,606	
Utilities	1,257			1,257	1,182
Dues and subscriptions	226	220	449	895	1,700
Staff training and education	777			777	175
Postage and mailing	537	22		559	429
Taxes and licenses	24	280		304	4,424
Total Expenses	**$ 908,062**	**$ 151,235**	**$ 187,510**	**$ 1,246,807**	**$ 1,077,044**

See independent auditors' report.