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***The Global Alliance for  
Improved Nutrition,  
Geneva***

*Financial Statements for the  
Year ended 30 June 2010  
and Report of the Statutory Auditor*

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## Report of the statutory auditor

To the Board of the Foundation of  
**The Global Alliance for Improved Nutrition, Geneva**

### Report on the financial statements

As statutory auditor, we have audited the accompanying financial statements of The Global Alliance for Improved Nutrition (the "Foundation"), which comprise the balance sheet, income statement and notes for the year ended 30 June 2010.

#### *Board of the Foundation's Responsibility*

The Board of the Foundation is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the Foundation's statutes. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of the Foundation is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the 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 the internal control system relevant to the entity's preparation 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements for the year ended 30 June 2010 comply with Swiss law and the Foundation's statutes.

## Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of the Foundation.

We recommend that the financial statements submitted to you be approved.

### Deloitte SA



Peter Quigley  
Licensed audit expert  
Auditor in charge



Elisabeth Vidal  
Licensed audit expert

Geneva, 14 December 2010

PBQ/EVI/jh

### Enclosures :

Financial statements (balance sheet, income statement and notes)

BALANCE SHEET AS AT 30 JUNE 2010  
 (with 2009 comparative figures)

	Note	2010 USD	2009 USD
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	22,257,180	41,187,537
Deposits	3	65,022,472	31,754,470
Other receivables		1,271,974	432,038
Prepaid expenses		569,933	364,865
Deferred expenditure	7	4,631,317	1,406,136
<b>Total current assets</b>		<b>93,752,876</b>	<b>75,145,046</b>
Fixed assets, net	4	658,312	687,582
<b>Total long term assets</b>		<b>658,312</b>	<b>687,582</b>
<b>TOTAL ASSETS</b>		<b>94,411,188</b>	<b>75,832,628</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable		1,894,266	1,021,898
Other creditors	5	308,858	143,799
Accrued expenses		2,704,413	2,158,176
Grants payable	7	2,574,971	5,340,292
Deferred income	8	66,783,643	45,596,342
<b>Total current liabilities</b>		<b>74,266,151</b>	<b>54,260,507</b>
<b>LONG TERM LIABILITIES</b>			
Grants payable after one year	7	1,375,058	2,508,475
<b>Total long term liabilities</b>		<b>1,375,058</b>	<b>2,508,475</b>
<b>CAPITAL AND RESERVES</b>			
Foundation capital	9	36,187	36,187
Surplus		18,733,792	19,027,459
<b>Total capital and reserves</b>		<b>18,769,979</b>	<b>19,063,646</b>
<b>TOTAL LIABILITIES</b>		<b>94,411,188</b>	<b>75,832,628</b>



INCOME STATEMENT AS AT JUNE 30, 2010  
 (with 2009 comparative figures)

		<b>2010</b>	<b>2009</b>
		<b>USD</b>	<b>USD</b>
<b>INCOME</b>			
Donor income	8	27,305,446	12,934,488
Other income		265,053	130,725
Bank interest		367,247	1,032,399
<b>TOTAL INCOME</b>		<b><u>27,937,746</u></b>	<b><u>14,097,612</u></b>
<b>OPERATING EXPENDITURES</b>			
Staff related expenses		9,756,758	7,044,726
Consulting and professional fees		6,210,392	4,419,615
Project grant expenses	11	4,936,611	1,581,369
Travel and meeting expenses		4,339,198	3,068,717
Office rental		649,291	420,804
Operating expenses		581,807	616,350
Communications and information technology		474,839	228,334
Depreciation		403,337	274,930
Printing and postage		361,258	376,089
Irrecoverable VAT		341,212	411,000
Exchange differences, net		121,739	299,108
Bank charges		54,971	169,432
<b>TOTAL EXPENDITURE</b>		<b><u>28,231,413</u></b>	<b><u>18,910,474</u></b>
Surplus of expenditure		(293,667)	(4,812,863)
Surplus, beginning of the year		19,027,459	23,840,322
<b>SURPLUS, END OF YEAR</b>		<b><u>18,733,792</u></b>	<b><u>19,027,459</u></b>

## Notes to the financial statements for the year ended 30 June 2010

### 1. GENERAL

The Global Alliance for Improved Nutrition (GAIN) is an independent non-profit Foundation created under Article 80 of the Swiss Civil Code, and is registered with the Geneva Register of Commerce under statutes dated 26 March 2003.

GAIN's mission is to reduce malnutrition through food fortification and other strategies aimed at improving the health and nutrition of populations at risk.

The Bill and Melinda Gates Foundation, and other contributors, notably US AID and The Children's Investment Fund Foundation, have made available resources to fund the projects and programs supported by GAIN.

When GAIN was founded in 2002, funds provided by donors to GAIN were managed by the International Bank for Reconstruction and Development (World Bank) through Trust Funds administered by the World Bank as trustee on behalf of GAIN. Following the restructuring of GAIN in 2006, it was agreed that GAIN would receive and manage funds from donors directly. The World Bank no longer acts as trustee since the end of 2009.

### 2. SIGNIFICANT ACCOUNTING POLICIES

**a) Basis of preparation** – GAIN's financial statements have been prepared in accordance with its statutes and the applicable provisions of the Swiss Code of Obligations.

**b) Donations received** - Donations have in the past been recognized on a cash basis. The Finance and Audit Committee (FAC), at the 13<sup>th</sup> Board meeting in May 2009, approved a change in accounting methodology for grants and contributions, which states that all grants, contributions and donations received are recorded in accordance with the principle of matching related revenues and expenses, thus enabling a more accurate recording and reporting of the utilization of funds over time. Donor grants are recognized as income to the extent of actual expenses incurred during each financial year. Grants received, including interest and other revenues earned, are initially treated as deferred income; on fulfillment of the conditions and obligations governing each such grant, they are recognized as income to the extent and amount of actual expense incurred during each financial year. This change of policy is effective as of 1 July 2008 and the financial statements for the year ended 30 June 2009 and 2010 are presented under this new policy.

**c) Grants payable for projects** - All grants are governed by a written grant agreement. In the past, all grant expenses were recognized in full in the income statement at the time of the signing of the agreement signing, regardless of when the liability became due. Grants or portions of grants that have not been disbursed at the balance sheet date were recorded as either short or long-term liabilities. With the adoption of the change in the accounting methodology for grants and contributions, the grants payable for projects are recognized only when all conditions governing the grant are satisfied and the contribution payable is recognized to the extent of the actual expenditure reported by Sub-grantee's. These grant payments are initially treated as advances and are subsequently recognized as expenses upon the submission of utilization reports by grantees or on the basis of reasonable estimates based on the percentage of completion of the project.



**Notes to the financial statements for the year ended 30 June 2010**
*..Continued*

The remainders of the grant agreements which are unpaid are monitored for full compliance with the rules governing the grant and are accounted for separately. The amounts recognized as payable and as expense are disclosed in notes 7 and 11 to the accounts.

d) Foreign currencies - Accounting records are maintained in US dollars. Monetary assets and liabilities denominated in other currencies are recorded at the rates ruling at the date of the transactions. Foreign currency assets and liabilities are translated into US dollars at rates of exchange prevailing at balance sheet date. Exchange gains and losses are included in the income statement.

e) Fixed assets - Fixed assets are stated at cost less accumulated depreciation. The Foundation applies the straight-line method for the depreciation of these assets using rate of 20% per year for office equipment and 50% per year for computer equipment.

**3. CASH AND DEPOSITS**

Amounts held by GAIN but not required for immediate use are invested in instruments approved by the Board of the Foundation.

	<b>2010</b>	<b>2009</b>
	<b>USD</b>	<b>USD</b>
Cash and call accounts	6,674,180	549,270
Time Deposits: held for 3 months or less	15,583,000	6,199,000
Treasury bills	-	34,439,267
<b>Total cash and cash equivalents</b>	<b><u>22,257,180</u></b>	<b><u>41,187,537</u></b>
Time Deposits: held between 3 and 12 months	65,000,000	31,750,000
Rent Guarantee Deposits	22,472	4,470
<b>Total deposits</b>	<b><u>65,022,472</u></b>	<b><u>31,754,470</u></b>

**Notes to the financial statements for the year ended 30 June 2010**
**4. FIXED ASSETS, net**

	<b>Office Equipment</b>	<b>Computer Equipment</b>	<b>Work In Progress*</b>	<b>Total</b>
<b>Cost</b>				
At 1 July 2009	575,324	772,786	-	1,348,110
Additions	54,052	171,445	148,569	374,066
At 30 June 2010	<u>629,376</u>	<u>944,231</u>	<u>148,569</u>	<u>1,722,176</u>
<b>Accumulated depreciation</b>				
At 1 July 2009	283,834	376,693	-	660,527
Charge for the year	93,248	310,089	-	403,337
At 30 June 2010	<u>377,082</u>	<u>686,782</u>	<u>-</u>	<u>1,063,864</u>
<b>Net book value</b>				
<b>At 30 June 2010</b>	<u>252,294</u>	<u>257,449</u>	<u>148,569</u>	<u>658,312</u>
At 30 June 2009	<u>291,490</u>	<u>396,092</u>	<u>-</u>	<u>687,582</u>

The fire insurance cover amounts to USD 2,154,013 – CHF 2,337,000 (2009 – USD 461,254 – CHF 500,000).

\*Work in Progress represents leasehold improvements and installation of a new management information system. These will be placed in service and depreciated starting in fiscal year 2010-11.

**5. OTHER CREDITORS**

Other creditors include an amount of USD 32,892 due to Foundation Patrimonia for LLP at 30 June 2010 (2009 - USD 21,658).

**6. RELATED PARTIES**

GAIN's Chairman, Jay Naidoo, is also a Chairman of Development bank of Southern Africa (DBSA) and Director of J&J Group, both of which had commercial dealings with GAIN during the current financial year. At the year-end there is a bank balance of USD 17,146 / ZAR 126,730 (2009 - USD 38,420 / ZAR 301,814) from DBSA due to GAIN.



**Notes to the financial statements for the year ended 30 June 2010**
**7. GRANTS PAYABLE**

	2010 USD			2009 USD
	<u>Short term</u>	<u>Long term</u>	<u>Total Payable</u>	<u>Total Payable</u>
A Call To Serve Georgia	-	-	-	10,000
United Nations Children's Fund, Kazakhstan	102,332	-	102,332	219,662
Ministry of Health, Nutrition Wing, Pakistan	-	-	-	195,775
United Nations Children's Fund, Bangladesh	801,646	-	801,646	966,501
UNICEF, USA	-	59,580	59,580	59,580
Naandi Foundation, India	-	-	-	10,517
World Food Programme, India	-	-	-	10,004
Government of Uganda	464,267	116,786	581,053	1,391,820
The United Nations World Food Programme, Egypt	50,000	8,271	58,271	418,415
West African Health Organization, Burkina Faso	-	5,000	5,000	5,000
Helen Keller International, Côte d'Ivoire	-	3,098	3,098	88,878
Helen Keller International, Mali	-	31,438	31,438	31,438
National Food and Nutrition of Zambia	-	956,329	956,329	956,329
Food and Drugs Board of Ghana	143,781	-	143,781	270,200
Helen Keller International, USA	-	54,556	54,556	54,556
Academy for Educational Development, USA	-	-	-	25,009
Helen Keller International, Senegal	22,154	-	22,154	22,154
Johns Hopkins University, USA	52,575	120,000	172,575	292,575
Social Marketing Company, Bangladesh	-	-	-	19,522
Chinese Center for Disease Control and Prevention	-	20,000	20,000	20,000
Protein Kissee-LA S.A., Côte d'Ivoire	-	-	-	770,000
World Food Programme, Egypt	-	-	-	636,236
Renata Limited, Bangladesh	-	-	-	772,596
Andhra Pradesh Foods, India	-	-	-	602,000
Yedent Agro Processing Ventures Ltd., Ghana	766,200	-	766,200	-
International Food Policy Research Institute, USA	117,000	-	117,000	-
National Foundation for the C. D. C. & P., USA	50,000	-	50,000	-
Georgia National Center for Disease Control	5,016	-	5,016	-
	<b><u>2,574,971</u></b>	<b><u>1,375,058</u></b>	<b><u>3,950,029</u></b>	<b><u>7,848,767</u></b>

## Notes to the financial statements for the year ended 30 June 2010

..Continued

New grant contracts signed in the year total \$ 26,945,407, out of which \$ 11,603,610 was paid out to sub-grantees during the year and the remainder of \$ 15,763,289 is undisbursed as at 30 June 2010 and is not included in the grants payable in accordance with GAIN's policy for grant accounting.

Grants awarded in FY 2008-9 not disbursed amounted to \$5,306,529 at the end of the prior fiscal year. In FY 2009-10 \$887,514 was disbursed on these grants leaving a balance of \$4,419,015 and is not included in the grants payable in accordance with GAIN's policy for grant accounting.

	USD		
	Short term	Long term ( > one year )	Total Commitment
United Nations Children's Fund, Bangladesh	312,545	1,556,609	1,869,154
International Nutrition Foundation (INF), USA	-	13,867	13,867
Indian Coalition IDD	-	76,850	76,850
Direction of Population, Ministry of Health, Morocco	556,945	488,620	1,045,565
Nutrition Wing Ministry of Health, Pakistan	354,663	942,980	1,297,643
Food Fortification Office of Chinese C.D.C. and P.	476,670	523,330	1,000,000
Cellule de Lutte contre la Malnutrition, Senegal	181,270	757,995	939,265
John Hopkins University, USA	-	9,492	9,492
Cornell University, USA	5,000	-	5,000
University of California, Davis, USA	67,463	50,907	118,370
World Health Organization, Switzerland	45,210	98,088	143,298
International Food Policy Research Institute, USA	117,000	-	117,000
Swiss Federal Institute of Technology, Switzerland	-	14,000	14,000
South African Medical Research Council, South Africa	4,521	10,429	14,950
Tufts University, USA	-	23,040	23,040
Intl. Centre for Diarrhoeal Diseases Rsrch., Bangladesh	-	22,284	22,284
Helen Keller International, Cambodia	13,432	-	13,432
Institute of Tropical Medicine, Belgium	-	79,535	79,535
BRAC, Bangladesh	371,330	427,245	798,575
Yedent Agro Processing Ventures Ltd, Ghana	580,170	-	580,170
Helen Keller International, Senegal	397,593	377,719	775,312
Nutrition Center of Philippines	285,000	2,619,124	2,904,124
United Nations World Food Program, India	450,000	50,330	500,330
Academy of Educational Development, South Africa	-	3,299,757	3,299,757
The Synergos Institute, USA	70,963	20,000	90,963
African Scholarly Science Communications Trust, Kenya	-	11,313	11,313
<b>Total FY 2009-10 Grants Awarded Not Disbursed</b>	<b>4,289,775</b>	<b>11,473,514</b>	<b>15,763,289</b>
Renata Brac, Bangladesh	137,000	849,578	986,578
Helen Keller International, Cote d'Ivoire	300,000	950,000	1,250,000
AP Foods, India	903,000	323,360	1,226,360
World Food Program, Egypt	196,374	528,454	724,828
Others	213,773	17,476	231,249
<b>Total FY 2008-09 Grants Awarded Not Disbursed</b>	<b>1,750,147</b>	<b>2,668,868</b>	<b>4,419,015</b>
<b>Total FY 2008-10 Grants Awarded Not Disbursed</b>	<b>6,039,922</b>	<b>14,142,382</b>	<b>20,182,304</b>

**Notes to the financial statements for the year ended 30 June 2010**
*..Continued*

The funds paid over but not utilized by sub-grantees as at 30 June 2010 are recorded as a deferred expenditure in the assets section.

	<b>2010</b>	<b>2009</b>
	<b>USD</b>	<b>USD</b>
Iron Fish Sauce Fortification, Vietnam	40,000	154,900
National Agency for F. and D. A. & C., Nigeria	153,200	500,000
Food Technology Research Institute, Egypt	-	40,000
Ministry of Health of Jordan	30,525	75,000
World Food Programme, Egypt	1,004,800	636,236
National Foundation for the C. D. C. & P., USA	50,000	-
Indian Coalition Control IDD	76,850	-
Ministry of Health, Morocco	450,090	-
Nutrition Wing of Health Pakistan	174,376	-
The Chinese C. D. C. & P.	367,000	-
Cellule de Lutte contra la Malnutrition, Senegal	943,637	-
University of California, Davis, USA	80,000	-
World Health Organization, Switzerland	60,000	-
International Food Policy Research Institute, USA	273,000	-
Trustees of Tufts College, USA	92,163	-
Institute of Tropical Medicine , Mozambique	119,303	-
BRAC Health Program, Bangladesh	288,445	-
World Food Programme, India	331,228	-
The Synergos Institute, USA	96,700	-
	<b><u>4,631,317</u></b>	<b><u>1,406,136</u></b>



**Notes to the financial statements for the year ended 30 June 2010**
**8. DONOR INCOME AND DEFERRED INCOME**

Under the new accounting for grants policy all income received from donors is treated as deferred income. It is recognized as income during the financial year only to the extent of sub-grantees fulfillment of conditions and obligations under the project grant and all the relevant disbursements.

During the current financial year total receipts from donors came to \$ 48,492,747 (2009 - \$58,530,830)

<u>DONOR</u>	<b>2009</b>	<b>2010</b>		
	<b>USD</b>	<b>USD</b>		
	<u>Deferred 30</u> <u>June 2009</u>	<u>Received</u> <u>FY 9-10</u>	<u>Recognized</u> <u>FY 9-10</u>	<u>Deferred 30</u> <u>June 2010</u>
Bill and Melinda Gates Foundation	44,479,312	38,441,915	22,031,230	60,889,997
Khalifa Bin Zayed Al Nahyan Foundation	-	5,997,982	300,134	5,697,848
Government of the Netherlands, Ministry of Foreign Affairs	-	2,802,850	2,607,052	195,798
US Government, AID	-	1,000,000	1,000,000	-
The Wellcome Trust	-	150,000	150,000	-
H. W. Goldsmith Foundation	-	100,000	100,000	-
The Children's Investment Fund Foundation	1,117,030	-	1,117,030	-
	<b><u>45,596,342</u></b>	<b><u>48,492,747</u></b>	<b><u>27,305,446</u></b>	<b><u>66,783,643</u></b>

**9. FOUNDATION CAPITAL**

The Foundation capital amounts to CHF 50,000 (equivalent at USD 36,187 at 26 March 2003 exchange rate).

**10. RENT AND LEASING COMMITMENTS**

At 30 June 2010, the foundation had future minimum office rental commitments amounting to USD 4,735,653 (2009 - USD 1,976,962), corresponding to expected rental fees until the end of lease contracts expiring from 31 March 2011 through 30 June 2020.

The Foundation has four leasing contracts for office equipment amounting to USD 108,277 (2009 - USD 96,437) expiring May 2012 through June 2014.

## Notes to the financial statements for the year ended 30 June 2010

### 11. PROJECT GRANT EXPENSES

The schedule below is a disclosure of GAIN's actual grant expenditures, the amounts paid to Sub-grantees. Certain adjustments are made to arrive at the amount of grant expense to be recognized under the accounting methodology adopted for fiscal year 2008-9 and subsequent years. The new grant accounting methodology matches the recognition of expense with activities actually carried out by the Sub-grantees and is based on utilization reports and reasonable estimates based on the percentage of completion of the project. The amount actually recognized as Project Grant Expenses is different than the amount disbursed due to the following reasons:

- Sub-grantees may not have spent all of the amounts paid to them in the current fiscal year and recognition of the expense is therefore deferred;
- The grants disbursed in prior fiscal years are recognized as expenses in the current fiscal year as the Sub-grantees have utilized the funds;
- The grant disbursements relate to grants recognized as grant expense in full under the old accounting methodology;
- The grant is held by a third party as a guarantee fund to facilitate the premix project but funds remain under GAIN's control.

During the year a total of \$15,240,067 (2009 - \$10,004,556) was disbursed to Sub-grantees.

Deferred expense related to current year grants and prior year's grants increased by \$3,225,181 (2009 - \$3,484,485).

Grant expenditures in the current fiscal year related to the grants accounted for under the old accounting methodology amounts to \$3,105,879 (2009 - \$3,804,102) and have been fully expensed in prior years. These older grants are accounted for and monitored separately for compliance with the original grant terms.

In 2010 GAIN transferred \$5,000,000 to Crown Agents to facilitate the procurement of premix. This money is held in various current and interest bearing accounts in the name of GAIN in the Crown Agents Bank.

**Notes to the financial statements for the year ended 30 June 2010**
*..Continued*

	2010 USD	2009 USD
Total Grant Disbursements	15,240,067	10,004,556
Net change in deferred grant expense	(3,225,181)	(3,484,485)
Grant expenditures (old grant methodology, previously expensed)	(2,078,275)	(3,804,102)
Grants held by Crown Agents Bank in guarantee fund	(5,000,000)	
Refund received from China Wheat*		(1,063,248)
Refund received from China Policy*		(394,810)
Increase in grant awarded to John Hopkins University		287,458
Increase in grant awarded to China Center for Disease Control		81,000
Write off a grant to Hospital for Sick Children , Toronto		(45,000)
Project Grant Expenses	<u><u>4,936,611</u></u>	<u><u>1,581,369</u></u>

\* On July 22, 2008 the decision was made to terminate two projects: China Wheat and China Policy. The grants awarded were reversed and funds unspent held by executing agency were returned to GAIN on 3 November 2008.