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

*Consolidated Financial Statements for the
Year ended 30 June 2011
and Report of the Statutory Auditor*

Report of the statutory auditor

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

Report on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated 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 2011.

Board of the Foundation's Responsibility

The Board of the Foundation is responsible for the preparation of the consolidated financial statements in accordance with the requirements of Swiss law and the Foundation's statutes and the consolidation and valuation principles as set out in the notes. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements for the year ended 30 June 2011 comply with Swiss law and the Foundation's statutes and the consolidation and valuation principles as set out in the notes.

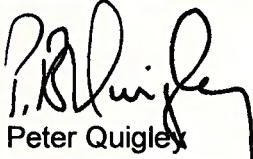
Report on Other Legal Requirements

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 consolidated financial statements according to the instructions of the Board of the Foundation.

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

Deloitte SA



Peter Quigley
Licensed audit expert
Auditor in charge



Elisabeth Vidal
Licensed audit expert

Geneva, 2 November 2011

PBQ/EVI/jh

Enclosures :

Consolidated financial statements (balance sheet, income statement and notes)

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2011
 (with 2010 comparative figures)

	Note	2011 USD	2010 USD
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	18,266,125	22,257,180
Deposits	4	40,629,429	65,022,472
Accrued income	9	4,208,353	-
Other receivables		2,263,899	1,271,974
Prepaid expenses		347,585	569,933
Deferred expenditure	8	7,792,946	4,631,317
Total current assets		<u>73,508,337</u>	<u>93,752,876</u>
Fixed Assets, net	5	<u>735,446</u>	<u>658,312</u>
TOTAL ASSETS		<u>74,243,783</u>	<u>94,411,188</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable		2,172,422	1,894,266
Other creditors	6	59,016	308,858
Accrued expenses		1,864,087	2,704,413
Grants payable	8	1,782,034	2,574,971
Deferred income	9	45,699,325	66,783,643
Total current liabilities		<u>51,576,884</u>	<u>74,266,151</u>
LONG TERM LIABILITIES			
Grants payable after one year	8	<u>1,294,565</u>	<u>1,375,058</u>
Total Long Term Liabilities		<u>1,294,565</u>	<u>1,375,058</u>
CAPITAL AND RESERVES			
Foundation capital	10	36,187	36,187
Surplus		21,336,147	18,733,792
Total Capital and Reserves		<u>21,372,334</u>	<u>18,769,979</u>
TOTAL LIABILITIES		<u>74,243,783</u>	<u>94,411,188</u>

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2011
 (with 2010 comparative figures)

	Note	2011 USD	2010 USD
INCOME			
Donor income	9	39,086,894	27,305,446
Other income		410,640	265,053
Bank interest		418,673	367,247
TOTAL INCOME		<u>39,916,207</u>	<u>27,937,746</u>
OPERATING EXPENDITURE			
Staff related expenses		13,151,479	9,756,758
Consulting and professional services		8,794,549	6,210,392
Project grant expenses	12	8,001,113	4,936,611
Travel and meeting expenses		4,128,847	4,339,198
Office rental		1,068,684	649,291
Operating expenses		764,667	581,807
Communication and information technology		875,602	474,839
Depreciation		513,047	403,337
Printing and postage		334,882	361,258
Irrecoverable VAT		189,879	341,212
Exchange differences, net		(575,511)	121,739
Bank charges		66,614	54,971
TOTAL EXPENDITURE		<u>37,313,852</u>	<u>28,231,413</u>
Surplus (deficit) of income		2,602,355	(293,667)
Surplus, beginning of year		18,733,792	19,027,459
SURPLUS, END OF YEAR		<u>21,336,147</u>	<u>18,733,792</u>

Notes to the consolidated financial statements for the year ended 30 June 2011

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 population at risk.

Contributors, notably The Bill and Melinda Gates Foundation, the Government of the Netherlands and US AID, 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. SCOPE, PRINCIPLES AND METHODS OF CONSOLIDATION

The consolidated financial statements include GAIN offices and those entities over which GAIN has the power to govern the financial and operating policies so as to obtain benefits from their activities. The consolidated entities comprises of: GAIN NoSCA LLC, whose objective is to provide program support for global programs and raise GAIN's profile in North America. GAIN NoSCA LLC incorporated 12 May 2010 and owned at 100% by GAIN, is registered in Washington D. C., USA.

The company is consolidated according to the full consolidation method. All intercompany investments, balances and transactions have been eliminated. The company has been consolidated using the accounts for the first period ended 30 June 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation - GAIN financial statements have been prepared in accordance with its articles of association and the applicable provisions of the Swiss Code of Obligations.

b) Donations received - Donations were in the past recognized on a cash basis. The Finance and Audit Committee (FAC), at the 13th 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 fulfillments 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 2010 and 2011 are presented under this policy.

Notes to the consolidated financial statements for the year ended 30 June 2011
..Continued

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 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-term, less than 12 months, 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. 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.

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 8 and 12 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.

4. CASH AND DEPOSITS

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

	2011	2010
	USD	USD
Cash and Call Accounts	18,266,125	6,674,180
Time Deposits: Held for less than 3 months	-	15,583,000
Total Cash	<u>18,266,125</u>	<u>22,257,180</u>
Time Deposits: Held between 3 - 12 Months	40,600,000	65,000,000
Rent Guarantee	29,429	22,472
Total Deposits	<u>40,629,429</u>	<u>65,022,472</u>

Notes to the consolidated financial statements for the year ended 30 June 2011
5. CONSOLIDATED FIXED ASSETS, net

	<u>Furniture and Fixtures</u>	<u>Office Equipment</u>	<u>Work in Progress*</u>	<u>Total</u>
Cost				
At 1 July 2010	629,376	944,232	148,569	1,722,177
Disposals/Transfers	-	-	(148,569)	(148,569)
Additions	314,588	406,930	3,367	724,885
At 30 June 2011	<u>943,964</u>	<u>1,351,162</u>	<u>3,367</u>	<u>2,298,493</u>
Accumulated depreciation				
At 1 July 2010	377,082	686,782	-	1,063,865
Additions	137,652	361,530	-	499,182
At 30 June 2011	<u>514,734</u>	<u>1,048,312</u>	<u>-</u>	<u>1,563,047</u>
Net book value				
At 30 June 2011	<u>429,230</u>	<u>302,850</u>	<u>3,367</u>	<u>735,446</u>
At 30 June 2010	<u>252,294</u>	<u>257,449</u>	<u>148,569</u>	<u>658,312</u>

The fire insurance cover amounts to USD 3,596,330 (2010 – USD 2,154,013).

*Work in Progress represents leasehold improvements in the Washington Office. These will be placed in service and depreciated commencing in fiscal year 2011-12.

6. OTHER CREDITORS

At 30 June 2011, no amounts are due to Foundation Patrimonia for Swiss pension contributions (2010 - USD 32,892).

7. RELATED PARTIES

GAIN's Chairman, Jay Naidoo was also a Chairman of Development bank of Southern Africa (DBSA) until 31 August 2010 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 balance of USD 3,112/ZAR 21,304 (2010 - USD 17,146/ZAR 126,730) in DBSA's bank account due to GAIN.

Notes to the consolidated financial statements for the year ended 30 June 2011

8. GRANTS PAYABLE

			2011 USD	2010 USD
<u>Major Grants</u>	<u>Short Term</u>	<u>Long Term</u>	<u>Total Payable</u>	<u>Total Payable</u>
National Food and Nutrition of Zambia	-	956,329	956,329	956,329
Chinese Center for Disease Control	476,670	-	476,670	-
Government Of Uganda, Ministry of Finance, Planning and Economic Development	200,000	142,238	342,238	581,053
Helen Keller International, Tanzania	300,000	-	300,000	-
Nutrition Center of the Philippines	285,000	-	285,000	-
Population Services International, Kenya	124,390	-	124,390	-
United Nations Childrens Fund, Bangladesh	115,455	-	115,455	801,646
Other grants (19-totaling)	280,519	195,998	476,517	1,611,001
	1,782,034	1,294,565	3,076,599	3,950,029

New grant contracts signed in the year total USD 21,346,245 of which USD 7,238,244 was paid out to sub-grantees during the year and the remainder of USD 14,108,001 is undisbursed as at 30 June 2011 and is not included in the grants payable in accordance with GAIN's policy for accounting.

			2011 USD Total
<u>Major Grants</u>	<u>Short Term</u>	<u>Long Term</u>	<u>Committment</u>
Indian Institute of Health Management Research	1,161,406	2,118,313	3,279,719
Roller Flour Millers Federation of India (RFMFI)	600,000	1,636,037	2,236,037
Helen Keller International, Mozambique	437,723	1,595,600	2,033,323
Koalisi Fortifikasi Indonesia	1,498,157	482,054	1,980,211
Ministry of Public Health and Sanitation, Kenya	1,116,749	571,868	1,688,617
Reproductive and Child Health Alliance, Cambodia	-	911,561	911,561
Population Services International, Kenya	-	680,490	680,490
Helen Keller International, Tanzania	-	355,500	355,500
Ministry of Health, Kingdom of Morocco	75,000	192,377	267,377
USA	60,000	140,000	200,000
Other grants (13-totaling)	283,665	191,501	475,166
Total FY 2010/11 Grants awarded and not disbursed	5,232,700	8,875,301	14,108,001

Notes to the consolidated financial statements for the year ended 30 June 2011
..Continued

Balance of grants signed in 2009/10 as at 30 June 2010	15,763,289
Disbursements in 2010/11	<u>1,861,089</u>
Balance	<u>13,902,200</u>

Major Grants	2011		
	USD		
	Short Term	Long Term	Commitment
Academy of Educational Development, South Africa	400,000	2,833,633	3,233,633
Nutrition Center of Philippines	174,670	2,444,454	2,619,124
United Nations Children's Fund, Bangladesh	805,690	1,063,464	1,869,154
Nutrition Wing Ministry of Health Pakistan	513,555	674,519	1,188,074
Direction of Population, Ministry of Health, Morocco	556,945	488,620	1,045,565
Cellule de Lutte contre la Malnutrition, Senegal	181,270	757,995	939,265
Yedent Agro Processing Ventures Ltd, Ghana	-	580,170	580,170
Food Fortification Office of Chinese CDC&P	476,670	46,660	523,330
United Nations World Food Program, India	490,000	10,330	500,330
BRAC, Bangladesh	380,259	46,986	427,245
Helen Keller International, Cote d'Ivoire	377,719	-	377,719
Other grants (13-totaling)	<u>279,472</u>	<u>319,119</u>	<u>598,591</u>
Total FY 2009/10 Grants awarded and not disbursed	<u>4,636,250</u>	<u>9,265,950</u>	<u>13,902,200</u>

Balance of grants signed in 2008/09 as at 30 June 2010	4,419,015
Disbursements in 2010/11	<u>1,298,975</u>
Balance	<u>3,120,040</u>

Major Grants	2011		
	USD		
	Short Term	Long Term	Commitment
Helen Keller International, Cote d'Ivoire	-	1,250,000	1,250,000
Renata Limited, Bangladesh	-	986,578	986,578
The United Nations World Food Programme, Egypt	373,596	154,858	528,454
Andra Pradesh Foods, India	309,042	14,318	323,360
Other grants (3-totaling)	<u>-</u>	<u>31,648</u>	<u>31,648</u>
Total FY 2008/9 Grants awarded and not disbursed	<u>682,638</u>	<u>2,437,402</u>	<u>3,120,040</u>
Total Grants awarded and not disbursed	<u>10,551,588</u>	<u>20,578,652</u>	<u>31,130,240</u>

Notes to the consolidated financial statements for the year ended 30 June 2011
..Continued

The funds paid over but not utilized by sub-grantees as at 30 June 2011 are recorded as a deferred expenditure in the assets section.

<u>Major Grants</u>	2011 USD	2010 USD
Roller Flour Millers Federation of India (RFMFI)	1,223,560	-
Indian Institute of Health Management and Research	884,277	-
Koalisi Fortifikasi Indonesia	800,000	-
Cellule de Lutte contre la Malnutrition, Senegal	686,259	943,637
Ministry of Public Health and Sanitation, Kenya	675,658	-
Helen Keller International, Cote d'Ivoire	397,593	-
BRAC, Bangladesh	337,140	288,445
Reproductive and Child Health Alliance, Cambodia	303,199	-
Helen Keller International, Mozambique	300,000	-
Helen Keller International, Tanzania	300,000	-
Ministry of Health, Morocco	289,840	450,090
World Food Programme, India	213,281	331,228
World Food Programme, Egypt	94,404	1,004,800
The Chinese CDC&P	8,432	367,000
International Food Policy Research Institute, USA	100,379	273,000
Other grants (21-totaling)	1,178,925	973,117
	<u>7,792,947</u>	<u>4,631,317</u>

Notes to the consolidated financial statements for the year ended 30 June 2011

9. DONOR INCOME, DEFERRED INCOME AND ACCRUED 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. Income is accrued when expenses incurred exceed grant receipts and there is a contractual obligation to receive donor grant funds.

During the current financial year total receipts from donors came to USD 13,794,260 (2010 – USD 48,492,747)

<u>DONOR</u>	2010	2011			
	USD	USD		USD	
	Income Deferred 30 June	Funds Received FY 10-11	Income Deferred 30 June	Income Accrued 30 June	Income Recognized FY 10-11
Bill and Melinda Gates Foundation	60,694,062	5,151,019	36,468,486	2,399,083	31,775,679
Government of the Netherlands, MFA	391,733	3,444,977	1,735,894	547,966	2,648,743
Khalifa Bin Zayed Al Nahayan Fndtn.	5,697,848	-	3,962,623	-	1,735,225
Government of the U. K., DFID	-	-	-	1,261,304	1,261,304
U.S. Government, AID	-	2,000,000	774,934	-	1,225,066
The Wellcome Trust	-	275,000	-	-	275,000
Irish Aid	-	1,491,121	1,387,921	-	103,200
Dubai Cares	-	1,432,143	1,369,466	-	62,677
	66,783,643	13,794,260	45,699,325	4,208,353	39,086,894

10. FOUNDATION CAPITAL

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

11. RENT AND LEASING COMMITMENTS

At 30 June 2011, the foundation had future minimum office rental commitments amounting to USD 5,837,167 (2010 - USD 4,735,653), corresponding to expected rental fees until the end of lease contracts expiring from 6 December 2011 through 30 June 2020.

The Foundation has four leasing contracts for office equipment amounting to USD 97,205 (2010 – USD 108,277) expiring May 2012 through June 2014.

Notes to the consolidated financial statements for the year ended 30 June 2011

12. 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 USD12,489,806 (2010 – USD 15,240,067) was disbursed to Sub-grantees.

Deferred expense related to current year grants and prior years' grants increased by USD 3,061,250 (2010 – USD 3,225,181).

Grant expenditures in the current fiscal year related to the grants accounted for under the old accounting methodology amounts to USD 1,327,064 (2010 – USD 3,105,879) 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 the year ended 30 June 2010, GAIN transferred USD 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.

	2011 USD	2010 USD
Total Grant Disbursements	12,489,806	15,240,067
Net change in deferred grant expense	(3,161,629)	(3,225,181)
Grant expenditures (old grant methodology, previously expensed)	(1,327,064)	(2,078,275)
Grants held by Crown Agents Bank in guarantee fund	-	(5,000,000)
Project Grant Expenses	<u>8,001,113</u>	<u>4,936,611</u>