PARTNERS IN HEALTH

Consolidated Financial Statements

June 30, 2010 and 2009

(With Independent Auditors’ Report Thereon)

PARTNERS IN HEALTH

Consolidated Financial Statements

June 30, 2010 and 2009

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KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

The Board of Directors
Partners In Health:

We have audited the accompanying consolidated statements of financial position of Partners In Health (PIH) as of June 30, 2010 and 2009, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of PIH's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PIH's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PIH as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

November 19, 2010

PARTNERS IN HEALTH

Consolidated Statements of Financial Position

June 30, 2010 and 2009

Assets		**2010**	**2009**
Cash and cash equivalents	$	4,476,242	5,217,971
Contributions receivable (note 5)		2,105,797	2,361,504
Grants and other receivables, net (note 5)		11,686,438	5,199,065
Prepaid expenses and other assets		311,305	142,335
Investments, at fair value (note 3)		71,510,319	15,649,482
Property and equipment, net (note 6)		3,047,056	2,725,008
Total assets	$	93,137,157	31,295,365
Liabilities and Net Assets			
Accounts payable and accrued expenses	$	3,312,064	2,322,724
Amounts owed – fiscal agencies (note 10)		390,937	245,753
Total liabilities		3,703,001	2,568,477
Net assets:			
Unrestricted:			
Foreign currency translation adjustments		298,275	241,585
Undesignated		9,686,508	7,092,999
Board-designated: Thomas J. White Fund		15,381,697	13,641,321
Total unrestricted net assets		25,366,480	20,975,905
Temporarily restricted (note 4)		64,067,676	7,750,983
Total net assets		89,434,156	28,726,888
Total liabilities and net assets	$	93,137,157	31,295,365

See accompanying notes to consolidated financial statements.

PARTNERS IN HEALTH

Consolidated Statement of Activities

Year ended June 30, 2010

	Unrestricted			
	Undesignated	Board-designated: Thomas J. White Fund	Temporarily restricted	Total
Revenue and other support:				
Contributions, grants and gifts in kind:				
Individuals and family foundations	$ 27,952,956	950,000	53,345,220	82,248,176
Foundations and corporations	3,933,297	—	42,105,266	46,038,563
Governments, multilateral and research organizations	—	—	17,427,541	17,427,541
Special events	948,441	—	350,079	1,298,520
Gifts in kind and contributed services (note 8)	611,232	—	4,159,224	4,770,456
Other income	171,364	—	3,510	174,874
Transfers to TJ White Fund net of support for designated operating expenses	(406,239)	406,239	—	—
Net assets released from restrictions (note 4)	61,075,326	—	(61,075,326)	—
Total revenue and other support	94,286,377	1,356,239	56,315,514	151,958,130
Expenses (notes 8 and 9):				
Program services	86,314,488	—	—	86,314,488
Development	3,042,304	—	—	3,042,304
Administration	2,477,206	42,541	—	2,519,747
Total expenses	91,833,998	42,541	—	91,876,539
Excess of revenue over expense	2,452,379	1,313,698	56,315,514	60,081,591
Investment income, net	141,130	426,678	1,179	568,987
Change in net assets	2,593,509	1,740,376	56,316,693	60,650,578
Foreign currency translation adjustments	56,690	—	—	56,690
Net assets at beginning of year	7,334,584	13,641,321	7,750,983	28,726,888
Net assets at end of year	$ 9,984,783	15,381,697	64,067,676	89,434,156

See accompanying notes to consolidated financial statements.

PARTNERS IN HEALTH

Consolidated Statement of Activities

Year ended June 30, 2009

	Unrestricted: Undesignated	Unrestricted: Board-designated: Thomas J. White Fund	Temporarily restricted	Total
Revenue and other support:				
Contributions, grants and gifts in kind:				
Individuals and family foundations	$ 22,637,557	1,180,025	6,313,528	30,131,110
Foundations and corporations	1,668,744	—	13,246,420	14,915,164
Governments, multilateral and research organizations	—	—	14,468,409	14,468,409
Special events	1,023,711	—	1,155,850	2,179,561
Gifts in kind and contributed services (note 8)	980,314	—	542,602	1,522,916
Other income	119,006	—	33,385	152,391
Transfers to support designated operating expenses	200,658	(200,658)	—	—
Net assets released from restrictions (note 4)	34,122,396	—	(34,122,396)	—
Total revenue and other support	60,752,386	979,367	1,637,798	63,369,551
Expenses (notes 8 and 9):				
Program services	60,118,056	—	—	60,118,056
Development	1,589,808	—	—	1,589,808
Administration	2,055,230	171,941	—	2,227,171
Total expenses	63,763,094	171,941	—	63,935,035
Excess (shortfall) of revenue over expense	(3,010,708)	807,426	1,637,798	(565,484)
Investment income, net	82,766	(3,407,049)	—	(3,324,283)
Change in net assets	(2,927,942)	(2,599,623)	1,637,798	(3,889,767)
Foreign currency translation adjustments	(59,508)	—	—	(59,508)
Net assets at beginning of year	10,322,034	16,240,944	6,113,185	32,676,163
Net assets at end of year	$ 7,334,584	13,641,321	7,750,983	28,726,888

See accompanying notes to consolidated financial statements.

PARTNERS IN HEALTH

Consolidated Statements of Functional Expenses

Years ended June 30, 2010 and 2009

2010	Program services								Institutional support		
	Haiti	Rwanda	Peru	Lesotho	Malawi	Russia/ Kazakhstan	PACT (US)	Other	Development	Administration	Total
Human resources	$ 2,383,571	6,497,373	1,666,817	2,989,041	1,320,387	742,679	90,505	2,197,851	1,541,363	853,751	20,283,338
Consumables	6,146,495	2,484,034	391,145	955,125	627,502	424,694	—	42,430	74,117	81,343	11,226,885
Durable goods	2,203,591	1,076,558	128,573	265,551	148,444	1,886	—	61,632	56,604	130,847	4,073,686
Infrastructure	84,752	3,183,220	113,192	583,934	435,602	8,998	—	16,807	—	107,058	4,533,563
Operations	1,736,551	1,898,779	669,099	988,983	481,659	382,840	4,610	307,007	2,827	733,773	7,206,128
Social support payments	1,507,971	757,142	177,090	82,133	270,089	1,574	—	60,101	—	—	2,856,100
Travel, prof svcs, printing & other	664,790	414,126	710,327	319,765	82,586	360,930	2,623	1,137,120	1,367,394	612,975	5,672,636
Grants to partner organizations	32,940,192	1,140	23,761	—	26,797	913,875	937,859	1,180,581	—	—	36,024,205
Total expenses	$ 47,667,913	16,312,372	3,880,004	6,184,532	3,393,066	2,837,476	1,035,597	5,003,529	3,042,305	2,519,747	91,876,541

2009	Program services								Institutional support		
	Haiti	Rwanda	Peru	Lesotho	Malawi	Russia/ Kazakhstan	PACT (US)	Other	Development	Administration	Total
Human resources	$ 616,792	5,459,761	1,386,269	2,045,197	1,061,418	660,262	32,355	2,343,775	1,109,702	1,015,156	15,730,687
Consumables	2,794,444	3,403,047	958,016	812,969	611,992	209,633	—	422,955	37,904	57,282	9,308,242
Durable goods	552,884	348,111	79,509	364,743	210,893	344	—	242,889	16,336	43,161	1,858,870
Infrastructure	38,146	1,924,269	145,580	464,858	1,149,660	8,917	—	387,017	—	89,507	4,207,954
Operations	593,261	1,668,529	875,802	768,305	530,958	178,814	726	489,428	14,358	539,770	5,659,951
Social support payments	—	541,430	194,799	39,947	139,537	—	—	3,771	—	750	920,234
Travel, prof svcs, printing & other	112,218	368,032	934,366	237,339	108,052	172,164	38,449	739,359	411,508	481,545	3,603,032
Grants to partner organizations	19,897,222	50,000	20,414	—	—	1,126,771	985,975	565,683	—	—	22,646,065
Total expenses	$ 24,604,967	13,763,179	4,594,755	4,733,358	3,812,510	2,356,905	1,057,505	5,194,877	1,589,808	2,227,171	63,935,035

See accompanying notes to consolidated financial statements.

PARTNERS IN HEALTH

Consolidated Statements of Cash Flows

Years ended June 30, 2010 and 2009

		2010	2009
Cash flows from operating activities:			
Change in net assets	$	60,650,578	(3,889,767)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation and amortization		652,256	459,980
Net realized and unrealized (gains) losses on investments		(154,503)	3,633,602
Foreign currency translation adjustments		56,690	(59,508)
Changes in:			
Contributions receivable		255,707	(2,127,076)
Grants and other receivable, net		(6,487,373)	(492,967)
Prepaid expenses and other assets		(168,970)	(30,004)
Accounts payable and accrued expenses and amounts owed-fiscal agencies		1,134,524	590,879
Net cash provided by (used in) operating activities		55,938,909	(1,914,861)
Cash flows from investing activities:			
Purchases of property and equipment		(974,304)	(569,500)
Sales of investment securities		4,486,062	11,329,665
Purchases of investment securities		(60,192,396)	(7,550,278)
Net cash (used in) provided by investing activities		(56,680,638)	3,209,887
Cash flows from financing activities:			
Borrowings on line of credit		—	3,500,000
Repayments on line of credit		—	(3,500,000)
Net cash provided by financing activities		—	—
Net (decrease) increase in cash and cash equivalents		(741,729)	1,295,026
Cash and cash equivalents at beginning of year		5,217,971	3,922,945
Cash and cash equivalents at end of year	$	4,476,242	5,217,971

See accompanying notes to consolidated financial statements.

(1) Organization

Partners In Health, a Nonprofit Corporation (PIH) is an international nongovernmental organization dedicated to delivering quality health care to people and communities devastated by the joint burdens of poverty and disease. PIH's work has three goals: to care for patients, to alleviate the root causes of disease, and to share lessons learned around the world.

During FY 2010, PIH established a Representative Office in Kazakhstan.

PIH consolidates the accounts of Socios En Salud (Peru), Partners In Health Russia, Partners In Health Kazakhstan, Inshuti Mu Buzima (Rwanda), Bo Mphato Litšebeletsong tsa Bophelo (Lesotho), and Abwenzi Pa Za Umoyo (Malawi), which are all recognized charities in their respective countries.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation and Consolidation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). The consolidated financial statements include the accounts of PIH and affiliates located in Peru, Russia, Kazakhstan, Rwanda, Lesotho, and Malawi. All inter organizational balances and transactions are eliminated in consolidation.

(b) Classification of Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- *Unrestricted undesignated net assets* – includes unrestricted funds for general operations, support used in operations after meeting initial grantor or donor restrictions, and unrestricted net assets.
- *Unrestricted board-designated net assets* – includes donated funds earmarked by the board for the purposes of assuring longer term stability and sustainability, and ensuring steady support for core programs, while allowing for planning and implementation of longer term initiatives.
- *Temporarily restricted net assets* – includes funds whose use by PIH is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of PIH pursuant to those specifications.

(c) Use of Estimates

PIH uses estimates and assumptions in preparing these consolidated financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingencies at the dates of the financial statements, the reported amounts of revenues and other support, and expenses during the reporting periods. Actual results could vary from those estimates.

(d) Recognition of Revenue

Contributions received, including unconditional promises to give, are recognized as increases in net assets in the period received at their fair values. Contributions of cash and other assets are reported as restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is when a stipulation of time restriction ends or a purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Similarly, grants used in community health activities are recognized initially as restricted support and are reclassified to unrestricted net assets once the restrictions are satisfied. Contributions that are received shortly after the fiscal year end that are dated and designated by donors for that fiscal year are accrued as contributions receivable.

On January 12, 2010, a massive earthquake struck Port Au Prince in Haiti. Although PIH is not a disaster relief organization, because of its network of 12 hospitals and health facilities and over 4,400 local healthcare staff at the time, PIH played a major role in the immediate relief efforts and in ongoing rebuilding and strengthening the country. PIH received substantial financial support for these efforts from individuals, foundations, corporations and the public sector, resulting in the significant increase in revenues in FY10 and corresponding increase in expenses for Haiti.

(e) Cash and Cash Equivalents

PIH considers cash on hand, deposits in banks, certificates of deposit and short term marketable securities with an original maturity of less than 90 days to be cash and cash equivalents for purposes of the statements of cash flows. A portion of the investment portfolio is also invested in cash and cash equivalents for liquidity purposes.

(f) Fair Value Measurements

Fair value is the price that PIH would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. FASB Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on best information available. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

- Level 1 – quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities;
- Level 2 – observable prices that are based on inputs not quoted in active markets, but corroborated by market data; and

- Level 3 – unobservable inputs are used when little or no market data is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, PIH utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. Because PIH uses net asset values reported by fund managers as a practical expedient to estimate the fair values of its investments held through limited partnerships and other funds, classification of these investments within the fair value hierarchy is based on PIH's ability to timely redeem its interest rather than on inputs used. See (g) below and note 3 for further discussion.

(g) Investments

Investments are reported at estimated fair value. If an investment is held directly by PIH and an active market with quoted prices exists, PIH reports the fair value as the market price of an identical security. Shares in mutual funds are based on share values reported by the funds as of the last business day of the fiscal year. PIH also holds shares or units in traditional institutional funds as well as in alternative investment funds involving hedge strategies and private equity. Funds with hedge strategies generally hold securities or other financial instruments for which a ready market exists and are priced accordingly. Private equity generally holds assets that require the estimation of fair values in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, the estimated fair values may differ significantly from the value that would have been reported had a ready market for the investment existed and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held.

PIH has applied the accounting guidance in Accounting Standards Update No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (ASU 2009-12), which permits the use of net asset value (NAV) or its equivalent reported by each underlying alternative investment fund as a practical expedient to estimate the fair value of the investment. These investments are generally redeemable or may be liquidated at NAV under the original terms of the subscription agreements or operations of the underlying funds. However, it is possible that these redemption rights may be restricted by the funds in the future in accordance with the underlying fund agreements, as applicable. Changes in market conditions, the economic environment, or the funds' liquidity provisions may significantly impact the NAV of the funds and, consequently, the fair value of PIH's interests in the funds. Although certain investments may be sold in a secondary market, the secondary market is not active and individual transactions are not necessarily observable. It is therefore possible that if PIH were to sell a fund in the secondary market, the sale could occur at an amount materially different than the reported value.

(h) Property and Equipment

Property and equipment is stated at cost or if donated, at fair value at the date of donation. PIH provides for depreciation and amortization using the straight-line method over the estimated useful lives of the applicable assets, which are 25 to 40 years for buildings and improvements, 3 to 15 years for vehicles and equipment, and 7 to 10 years for capitalized software. Repairs and maintenance are expensed as incurred.

PIH deploys a portion of its funds for the construction of hospitals and healthcare centers on behalf of local governments. These facilities are used by PIH and the local governments in partnership to deliver healthcare services. PIH also funds the construction of wells and schools for communities and homes for patients in great need. The costs of these facilities, which are the property of the local government or the relevant individuals, are expensed as incurred.

(i) Foreign Currency Translation

The functional currency for each affiliate is the local currency. The translation into U.S. dollars is performed for statement of financial position accounts using exchange rates in effect at the statements of financial position date and for revenue and expense accounts using a weighted average exchange rate for the period. The resulting translation adjustments are recorded in unrestricted net assets.

(j) Functional Expenses

All direct costs of fundraising are expensed as incurred and are included in development expenses in the statements of activities and functional expenses.

(k) Reclassifications

Certain financial information for the year ended June 30, 2009 has been reclassified to conform to the 2010 presentation.

(l) Income Taxes

PIH is an organization described under Section 501(c)(3) of the Internal Revenue Code (IRC) and is generally exempt from income taxes under IRC Section 501(a). PIH has determined that it has taken no significant uncertain tax positions and accordingly no provision for income taxes have been recorded.

(m) Recent Accounting Pronouncement

In 2009, the FASB issued Accounting Standards Codification (ASC) 105-10 (formerly SFAS No. 168), *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (ASC 105-10), which establishes the FASB Accounting Standards Codification (Codification) as the source of authoritative accounting principles to be applied in the preparation of financial statements in conformity with GAAP. PIH adopted ASC 105-10 in fiscal 2010 and has updated references to GAAP literature made in these notes to reflect new codification standards, as applicable.

(Continued)

(3) Investments

The following table summarizes PIH's investments in accordance with the fair value hierarchy as of June 30, 2010.

		June 30, 2010			
		Level 1	Level 2	Level 3	Total
Investments:					
Cash and cash equivalents	$	34,248,630	—	—	34,248,630
Fixed income:					
U.S. Treasuries		—	3,380,096	—	3,380,096
Federal Agency Bonds		—	5,508,945	—	5,508,945
U.S. Fixed Income, Core		—	26,406,257	—	26,406,257
Equity Equities:					
U.S. Equity, Large Growth		353,306	—	—	353,306
U.S. Equity, Large Value		284,203	—	—	284,203
U.S. Equity, Small Capitalization		105,587	—	—	105,587
Non-U.S. Equity, Developed		564,295	—	—	564,295
Non-U.S. Equity, Emerging		187,314	—	—	187,314
Private Equity		—	—	471,686	471,686
Total	$	35,743,335	35,295,298	471,686	71,510,319

The following table summarizes PIH's investments in accordance with the fair value hierarchy as of June 30, 2009.

		June 30, 2009			
		Level 1	Level 2	Level 3	Total
Investments:					
Cash and cash equivalents	$	13,244,048	—	—	13,244,048
Equity securities:					
U.S. Equity, Large Growth		272,926	—	—	272,926
U.S. Equity, Large Value		245,986	—	—	245,986
U.S. Equity, Small Capitalization		90,515	—	—	90,515
Non-U.S. Equity, Developed		516,571	—	—	516,571
Non-U.S. Equity, Emerging		154,368	—	—	154,368
Hedge funds:					
Absolute Return Strategies		—	204,825	22,758	227,583
Total Return Strategies		—	539,421	59,936	599,357
Private Equity		—	—	298,128	298,128
Total	$	14,524,414	744,246	380,822	15,649,482

(Continued)

All investments have daily liquidity except the private equity and hedge fund investments, which are illiquid. The fixed income investments are included in Level 2 because their prices are determined based on market data rather than direct observable prices.

The private equity and hedge fund investments classified in Levels 2 and 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the NAV reported by each fund is used as a practical expedient to estimate the fair value of PIH's interest therein, its classification in Level 2 or 3 is based on PIH's ability to redeem its interest at or near the date of the statement of financial position. If the interest can be redeemed in the near term, the investment is classified in Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

The following table presents PIH's activity for the fiscal year ended June 30, 2010 for investments in Level 3:

		Private equity funds	Hedge/ absolute return funds	Total
Level 3 rollforward:				
Beginning value as of July 1, 2009	$	298,128	82,694	380,822
Purchases		161,578	—	161,578
Dispositions		—	(75,153)	(75,153)
Net realized losses		—	(7,541)	(7,541)
Net unrealized gains		11,980	—	11,980
Fair value at June 30, 2010	$	471,686	—	471,686

The following table presents PIH's activity for the fiscal year ended June 30, 2009 for investments in Level 3:

		Private equity funds	Hedge/ absolute return funds	Total
Level 3 rollforward:				
Beginning value as of July 1, 2008	$	120,136	93,865	214,001
Purchases		215,803	—	215,803
Net unrealized losses		(37,811)	(11,171)	(48,982)
Fair value at June 30, 2009	$	298,128	82,694	380,822

In 2002, a board-designated fund was established to set aside monies for the purpose of providing a stable stream of funding for PIH projects. This fund, called the Thomas J. White Fund (TJW), is used as a primary repository of funds raised for longer term support. In FY10, an additional $500,000 of unrestricted funds were designated for the TJW. At June 30, 2010 and 2009, the fund's balance was $15,381,697 and $13,641,321, respectively, and is recorded in board designated unrestricted net assets in the consolidated

(Continued)

statements of financial position. A portion of this fund is invested in cash and cash equivalents, with the balance invested in equity securities.

The composition of investment return is as follows:

		Year ended June 30	
		2010	**2009**
Interest and dividends	$	414,484	309,319
Net realized losses		(308,107)	(4,005,228)
Net change in unrealized gains		462,610	371,626
Total investment return, net	$	568,987	(3,324,283)

In August 2009, PIH redeemed substantially all of its investments in hedge funds.

Commitments

Private equity investments are generally made through limited partnerships. Under the terms of these agreements, PIH is obligated to remit additional funding periodically as capital or liquidity calls are exercised by the manager. These partnerships have a limited existence, generally ten years, and such agreements may provide for annual extensions for the purpose of disposing portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy, and other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. PIH cannot anticipate such changes because they are based on unforeseen events, but should they occur they may result in less liquidity or return from the investment than originally anticipated. As a result, the timing and amount of future capital or liquidity calls expected to be exercised in any particular future year is uncertain. The aggregate amount of unfunded commitments as of June 30, 2010 was $622,470.

(4) Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2010 and 2009 are available for the following purposes:

		2010	**2009**
Patient care	$	40,990,634	3,952,693
Training		750,386	1,119,259
Research		219,409	366,641
Infrastructure		18,082,852	1,781,889
Other		4,024,395	530,501
	$	64,067,676	7,750,983

For the years ended June 30, 2010 and 2009, net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes:

	2010	2009
Purpose restrictions accomplished:		
Zanmi Lasante (Haiti)	$ 44,586,381	14,259,626
Socios En Salud (Peru)	922,360	1,176,104
Partners In Health-Russia	2,565,429	1,834,930
Inshuti Mu Buzima (Rwanda)	5,970,855	7,240,252
Bo Mphato Litšebeletsong tsa Bophelo (Lesotho)	3,733,539	3,781,629
Abwenzi Pa Za Umoyo (Malawi)	654,319	3,179,807
Medical Informatics	557,355	612,123
PACT (Boston)	320,739	340,635
Other	1,764,349	1,697,290
Net assets released from restrictions	$ 61,075,326	34,122,396

(5) Receivables

Contributions receivable represents contributions received shortly after the fiscal year end for which they were designated by donors.

Grants receivable represent amounts accrued for work completed under grant contracts with governments, multilateral and research institutions. All amounts are due within the fiscal year and therefore are recorded at face value without discounting.

Grants and other receivables are presented net of allowance for doubtful accounts of $1,065,000. There was no allowance for doubtful accounts recorded as of June 30, 2009.

(6) Property and Equipment

Property and equipment is summarized as follows:

	June 30	
	2010	2009
Land	$ 781,886	730,212
Buildings and improvements	461,329	305,402
Equipment and furniture	1,368,221	1,106,697
Vehicles	1,716,202	1,282,297
Capitalized software	511,850	440,577
	4,839,488	3,865,185
Less accumulated depreciation and amortization	(1,792,433)	(1,140,177)
	$ 3,047,055	2,725,008

Depreciation and amortization of $652,256 and $459,980 for the years ended June 30, 2010 and 2009, respectively, are included as expense in the consolidated statements of activities.

On May 28, 2009, PIH entered into a 5 year lease agreement with Harvard University commencing on October 1, 2009 (amended August 5, 2009) for 6,303 square feet of office space at 641 Huntington Avenue. Base rent is $30 per square foot.

On August 7, 2009, PIH entered into a 10 year lease agreement with Boston University commencing September 1, 2009 for 12,900 square feet of office space at 888 Commonwealth Avenue. Effective September 1, 2010, the office space was expanded to 21,906 square feet. Base rent in the first two years is $27 per square foot, escalating every two years to a level of $34 per square foot in years 9 and 10.

Total rent expense for facilities of $675,000 and $569,000 for the years ended June 30, 2010 and 2009, respectively, are included in the consolidated statements of activities.

(7) Line of Credit

PIH maintains a $4 million line of credit with RBS Citizens, N.A. d/b/a Citizens Bank primarily for seasonal liquidity needs in advance of the calendar year end giving period. Borrowings accrue interest at a fluctuating per annum interest rate equal to the LIBOR Advantage Rate plus 3.0% (3.35% at June 30, 2010). PIH must repay the full principal and interest outstanding no less than once during each fiscal year for a period of sixty consecutive calendar days. PIH must also maintain a minimum of net liquid assets of at least $3,000,000 as defined in the agreement. The line is subject to an internal annual review by Citizens Bank each January. There were no borrowings on the line at June 30, 2010 and no borrowings during the fiscal year. At June 30, 2010 and June 30, 2009, PIH was in compliance with all covenants.

(8) Gifts in Kind and Contributed Services

PIH receives donations of medicines and other goods, contributed legal services, and the use of office space without charge. The estimated fair value of these donations is recorded as contributions in the consolidated statements of activities and allocated to program services, development or administration according to the nature of the item contributed as follows:

		2010	2009
Donated medicines and goods	$	4,356,898	1,091,848
Contributed legal services		352,811	66,592
Office space		60,746	364,476
Estimated fair value of donations	$	4,770,455	1,522,916

Office space was provided by the Harvard Medical School Department of Global Health and Social Medicine at no charge to PIH to conduct its administrative affairs through August 31, 2009.

PIH works in close collaboration with Harvard Medical School (HMS), and Brigham and Women’s Hospital (BWH) for purposes of patient care, research, and dissemination of knowledge in the area of global public health. Certain physicians and staff members of HMS and BWH reside within the PIH field sites for varying time periods and conduct work that supports these partner organizations’ shared goals of improving the state of health in areas of extreme poverty. PIH also collaborates on research projects with HMS and BWH from time to time, serving as a sub recipient on certain grants and as a principal recipient on others.

PIH also has relationships with various hospitals that provide healthcare services for PIH patients with severe health conditions for minimal fees or free of charge.

(9) Grants to Partner Organizations

Grants to partner organizations are recorded in the consolidated statements of activities under Program Services and include the following:

		2010	2009
Zanmi Lasante in Haiti	$	32,090,192	19,939,084
Harvard Medical School		1,000,000	—
Three partner organizations in Russia		913,875	1,126,771
Brigham and Women’s Hospital		937,859	985,975
Clinton Health Access Initiative		800,000	—
Maranyundo		—	399,600
Other		282,279	194,635
	$	36,024,205	22,646,065

Grants to Zanmi Lasante in Haiti are for costs of operations including salaries and benefits, pharmaceuticals, construction, equipment and furnishings, social support, etc. The grant to Harvard Medical School (HMS) covers salaries of individuals in the HMS Department of Global Health and Social Medicine who work closely with PIH. Grants to Brigham and Women’s Hospital are for the Prevention and Access to Care and Treatment Program (PACT) in Boston, MA primarily for salary support for program staff and community healthcare workers. Payments to the Clinton Health Access Initiative were to the CHAI subsidiary in the Dominican Republic who assisted PIH with relief efforts after the earthquake in Haiti.

As Principal Recipient for a $10.8 million grant from the GFATM to Tomsk Oblast in Siberia from 2004 to 2009, PIH Russia dispenses 90% of these funds to three sub-recipients: the Tomsk TB Dispensary, which provides TB and MDR-TB treatment to all TB patients throughout the region; the Tomsk Oblast Penitentiary System, which funds and operates the treatment of all TB infected patients currently incarcerated in the region; and the Russian Red Cross, which distributes medications and social support to patients in the more remote, rural areas of Tomsk Oblast.

In 2009, the Tomsk Oblast Country Coordinating Mechanism (CCM) in cooperation with PIH applied for a continuation from the Global Fund and beginning December 1, 2009, this 6-year grant was launched. The grant amount is for 9,248,300 Euros. This new grant will allow the Tomsk TB service in collaboration with PIH to expand treatment of all forms of drug-resistant tuberculosis and achieve universal coverage. In addition to the current sub-recipients, PIH has invited Tomsk anti-AIDS center and Novosibirsk TB Research Institute to join the project. Also, TB Hospital has been separated from the TB dispensary as an independent sub-recipient, thus yielding six sub-recipients in total. This new grant will allow PIH to disseminate knowledge of MDR-TB management to 20 territories in Siberia and Far-East regions of Russia. PIH Russia will continue to dispense approximately 90% of the grant to the sub-recipients.

(10) Fiscal Agencies

PIH receives donations and disburses funds on behalf of five organizations who work in coincident or contiguous areas to PIH projects, who are pursuing similar missions, and who do not yet have the infrastructure for this financial processing. The largest of these organizations is Village Health Works operating in Burundi. Amounts received and paid are reflected as additions and reductions, respectively, to a liability to the relevant organization.

(11) Subsequent Events

In connection with the preparation of the consolidated financial statements PIH evaluated subsequent events after the consolidated balance sheet date of June 30, 2010 through November 19, 2010, which was the date the consolidated financial statements were available to be issued.

On October 1, 2010, PIH entered into an 18-month lease for 11,000 square feet of warehouse space in Miami to help facilitate the staging of medicines and other goods en route to Haiti. Base rent is $4,405 per month.