

**International Union Against Tuberculosis
and Lung Disease, Inc. (d/b/a Vital Strategies)**

Financial Statements

December 31, 2017

Independent Auditors' Report

Board of Directors of International Union Against Tuberculosis and Lung Disease, Inc. (d/b/a Vital Strategies)

We have audited the accompanying financial statements of International Union Against Tuberculosis and Lung Disease, Inc. (d/b/a Vital Strategies) ("Vital Strategies"), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 financial statements are free of 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 auditors' 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 internal control relevant to the entity's preparation and fair presentation 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, 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.

**Board of Directors of
International Union Against Tuberculosis
and Lung Disease, Inc. (d/b/a Vital Strategies)**
Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vital Strategies as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Vital Strategies' December 31, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 5, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

June 28, 2018

**International Union Against Tuberculosis
and Lung Disease, Inc. (d/b/a Vital Strategies)**

Statement of Financial Position
December 31, 2017
(with comparative amounts at December 31, 2016)

	2017	2016
ASSETS		
Cash	\$ 42,957,075	\$ 14,686,974
Cash held for others	260,796	271,006
Grants receivable, net	82,749,392	17,393,696
Other receivable	18,658	23,887
Grants advances	1,568,479	811,471
Prepaid expenses	471,439	166,870
Due from The Union	680,523	-
Property and equipment, net	80,992	113,002
	\$ 128,787,354	\$ 33,466,906
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 729,870	\$ 785,575
Cash held for others	260,796	271,006
Grants payable	4,895,037	6,801,003
Deferred rent	53,673	125,503
Due to The Union	488,100	456,916
Total Liabilities	6,427,476	8,440,003
Net Assets		
Unrestricted (deficit)	(2,981,350)	(4,972,885)
Temporarily restricted	125,341,228	29,999,788
Total Net Assets	122,359,878	25,026,903
	\$ 128,787,354	\$ 33,466,906

See notes to financial statements

**International Union Against Tuberculosis
and Lung Disease, Inc. (d/b/a Vital Strategies)**

Statement of Activities
Year Ended December 31, 2017
(with summarized totals for the year ended December 31, 2016)

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
REVENUE AND SUPPORT				
Grants	\$ -	\$ 163,382,060	\$ 163,382,060	\$ 20,337,885
Federal grants	10,807,546	-	10,807,546	9,645,879
Contributions	791,906	-	791,906	483,098
IMDP course fee	-	-	-	243,700
Other income	9,791	-	9,791	33,355
Interest income	112,746	96,297	209,043	119,436
Net assets released from restrictions	<u>68,136,917</u>	<u>(68,136,917)</u>	-	-
Total Revenue and Support	<u>79,858,906</u>	<u>95,341,440</u>	<u>175,200,346</u>	<u>30,863,353</u>
EXPENSES				
Program Services				
Research assistance	16,340,629	-	16,340,629	13,727,117
Public health	52,868,319	-	52,868,319	41,864,621
Education	-	-	-	997,621
Total Program Services	<u>69,208,948</u>	<u>-</u>	<u>69,208,948</u>	<u>56,589,359</u>
Management and general	7,743,300	-	7,743,300	2,772,992
Fundraising	915,123	-	915,123	1,030,057
Total Expenses	<u>77,867,371</u>	<u>-</u>	<u>77,867,371</u>	<u>60,392,408</u>
Change in Net Assets (Deficit)	1,991,535	95,341,440	97,332,975	(29,529,055)
NET ASSETS (DEFICIT)				
Beginning of year	<u>(4,972,885)</u>	<u>29,999,788</u>	<u>25,026,903</u>	<u>54,555,958</u>
End of year	<u>\$ (2,981,350)</u>	<u>\$ 125,341,228</u>	<u>\$ 122,359,878</u>	<u>\$ 25,026,903</u>

See notes to financial statements

**International Union Against Tuberculosis
and Lung Disease, Inc. (d/b/a Vital Strategies)**

Statement of Functional Expenses
Year Ended December 31, 2017
(with summarized totals for the year ended December 31, 2016)

	Research Assistance	Public Health	Total Program Services	Management and General	Fundraising	2017 Total	2016 Total
Grant expenses	\$ 12,726,872	\$ 31,553,429	\$ 44,280,301	\$ 1,007,211	\$ 141,951	\$ 45,429,463	\$ 37,236,045
Salaries	1,103,521	5,546,399	6,649,920	3,288,168	354,507	10,292,595	6,909,816
Payroll taxes and benefits	220,904	1,342,917	1,563,821	1,007,544	91,255	2,662,620	1,790,962
Consultants	-	5,752,569	5,752,569	455,533	231,000	6,439,102	4,633,586
Training and recruitment	3,548	71,886	75,434	64,167	1,048	140,649	79,399
Professional fees	794,211	26,527	820,738	345,799	3,920	1,170,457	1,008,354
Other professional services	44,150	292,225	336,375	334,338	-	670,713	517,802
Travel	437,926	2,795,510	3,233,436	343,779	27,497	3,604,712	3,058,288
Equipment	24,274	323,475	347,749	89,890	2,703	440,342	611,686
Maintenance	10,564	54,949	65,513	34,262	1,789	101,564	69,459
Supplies	14,764	76,800	91,564	47,887	140	139,591	96,590
Depreciation	-	-	-	38,061	-	38,061	42,472
Occupancy costs	93,090	484,230	577,320	301,789	45,495	924,604	795,548
Postage and delivery	7,575	83,718	91,293	19,488	169	110,950	112,748
Insurance	18,443	95,938	114,381	59,820	-	174,201	109,566
Utilities	22,804	118,619	141,423	75,000	3,752	220,175	238,559
Conference and meetings	162,350	450,607	612,957	65,567	230	678,754	361,037
Other program expenses	620,960	3,355,327	3,976,287	-	-	3,976,287	2,492,541
Other expenses	34,673	443,194	477,867	164,997	9,667	652,531	227,950
Total Expenses	<u>\$ 16,340,629</u>	<u>\$ 52,868,319</u>	<u>\$ 69,208,948</u>	<u>\$ 7,743,300</u>	<u>\$ 915,123</u>	<u>\$ 77,867,371</u>	<u>\$ 60,392,408</u>

See notes to financial statements

**International Union Against Tuberculosis
and Lung Disease, Inc. (d/b/a Vital Strategies)**

Statement of Cash Flows
Year Ended December 31, 2017
(with comparative amounts for the year ended December 31, 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 97,332,975	\$ (29,529,055)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	38,061	42,472
Deferred rent	(71,830)	(57,094)
Discount on grants receivable	(19,340)	(291,171)
Change in operating assets and liabilities		
Grants receivables	(65,336,356)	10,540,028
Other receivable	5,229	(11,302)
Grants advances	(757,008)	(811,471)
Prepaid expenses	(304,569)	(162,070)
Due from The Union	(680,523)	-
Accounts payable and accrued expenses	(55,705)	311,520
Grants payable	(1,905,966)	575,502
Due to The Union	31,184	198,619
Net Cash from Operating Activities	28,276,152	(19,194,022)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(6,051)	-
Net Change in Cash	28,270,101	(19,194,022)
 CASH		
Beginning of year	14,686,974	33,880,996
End of year	\$ 42,957,075	\$ 14,686,974

See notes to financial statements

**International Union Against Tuberculosis
and Lung Disease, Inc. (d/b/a Vital Strategies)**

Notes to Financial Statements
December 31, 2017

1. Organization

The International Union Against Tuberculosis and Lung Disease, Inc. (d/b/a Vital Strategies) (“Vital Strategies”) is a fully registered not-for-profit organization incorporated in the State of New Jersey with authority to do business in the State of New York. Vital Strategies maintains an office in New York City. Vital Strategies is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”). Vital Strategies is a public charity within the meaning of Section 509(a) of the Code.

Vital Strategies Endowment Fund (“VS Paris”) is an affiliate of Vital Strategies and is located in Paris, France. The International Union Against Tuberculosis and Lung Disease (“The Union”) is a business partner of Vital Strategies also located in Paris, France. The vision of Vital Strategies is, “a world where every person is protected by a strong public health system.”

The mission of Vital Strategies is to sustain partnerships with key international organizations, foundations, and governments and implement and manage initiatives that will significantly improve and strengthen national and local health systems and organizations and, by doing so, improve the health conditions of individuals and communities throughout the world. Vital Strategies partners with The Union through technical expertise, project management, funding assistance and membership coordination.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“US GAAP”), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Net Asset Classification

Net assets are presented in three categories: permanently restricted, temporarily restricted and unrestricted. Permanently restricted net assets are those that include donor-imposed restrictions requiring that resources be maintained permanently but may direct expenditure of the income. Vital Strategies had no permanently restricted net assets as of December 31, 2017 and 2016. Temporarily restricted net assets are those which include donor-imposed restrictions that permit Vital Strategies to expend the assets as specified; the restrictions are satisfied either by passage of time or by actions of Vital Strategies. Unrestricted net assets represent assets which are not restricted by donors. Unrestricted net assets are funds that are fully available, at the discretion of management and the Board for Vital Strategies to utilize in any of its programs or supporting services.

**International Union Against Tuberculosis
and Lung Disease, Inc. (d/b/a Vital Strategies)**

Notes to Financial Statements
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

Grant Agreements and Contributions

Grant agreements are examined on an individual basis to determine if they meet the requirements of a contribution rather than an exchange transaction. Those grants that are considered to be contributions, as well as other contributions received, are recorded when received and as unrestricted or temporarily restricted depending on the existence and/or nature of any donor restrictions.

Grants receivable with due dates extending beyond one year are discounted using the USA prime rate. The applicable rate at December 31, 2017 and 2016 was 3.75%.

Grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding, after management has used reasonable collection efforts, are written off through a charge to the valuation allowance and a credit to receivables.

Property and Equipment

Property and equipment are carried at cost, or if donated, fair value at the date of the donation. Vital Strategies capitalizes all purchases of property and equipment equal to or greater than \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 7 years. Leasehold improvements are depreciated over the life of the lease.

Under the terms of its agreement with government funding agencies, assets that are acquired with government contract revenues that revert to that agency upon termination of the program are not capitalized and are expensed when acquired. During the years ended December 31, 2017 and 2016 assets acquired with grant funds amounted to \$22,610 and \$17,220.

Property and equipment are reviewed for impaired if the use of the asset significantly changes or another indicator of possible impairment is noted. If the carrying amount of the asset is not recoverable, the value is written down to the asset's fair value. There were no asset impairments for the years ended December 31, 2017 and 2016.

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Vital Strategies.

**International Union Against Tuberculosis
and Lung Disease, Inc. (d/b/a Vital Strategies)**

Notes to Financial Statements
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

Summarized Comparative Information

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 US GAAP. Accordingly, such information should be read in conjunction with Vital Strategies' financial statements as of and for the year ended December 31, 2016, from which summarized information was derived.

Reclassification

Certain amounts in 2016 have been reclassified to conform to the 2017 presentation.

Accounting for Uncertainty in Income Taxes

Vital Strategies recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that Vital Strategies had no uncertain tax positions that would require financial statement recognition or disclosure. Vital Strategies is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2014.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which is June 28, 2018.

3. Significant Grant Agreements

In April 2016, Vital Strategies was awarded a two-year grant for the Obesity Prevention Program by the Bloomberg Family Foundation, Inc. (the "Foundation") amounting to \$2.3 million. Included in this grant is \$160,510 of unutilized funds, which was carried forward from a previous grant.

In July 2016, an amendment was made to the original Maternal Health agreement dated October 2015 which totaled \$4.7 million. Vital Strategies was awarded an additional amount of \$343,000 to continue the project titled "To Prevent Maternal Deaths in Tanzania" previously carried out by World Lung Foundation. The total funding of the project now amounts to \$5.1 million.

In January 2017, Vital Strategies was awarded a two-year grant for the Tobacco Control Program by the Foundation amounting to \$31.2 million. An amendment was made to the original agreement and Vital Strategies was awarded an additional amount of \$9.9 million, of which \$1.0 million was included as unused funds from a previous agreement. An additional amendment was made to the original agreement dated January 2017, and Vital Strategies was awarded an additional amount of \$575,000. The total funding for the project now amounts to \$41.675 million.

**International Union Against Tuberculosis
and Lung Disease, Inc. (d/b/a Vital Strategies)**

Notes to Financial Statements
December 31, 2017

3. Significant Grant Agreements (continued)

In April 2017, Vital Strategies was awarded a two-year grant for the Data for Health Program by the Foundation amounting to \$26.3 million. An amendment was made to the original agreement, and Vital Strategies was awarded an additional amount of \$3.8 million, of which \$1.1 million was included as unused funds from a previous agreement. The total funding for the project now amounts to \$30.1 million.

In November 2017, Vital Strategies was awarded a two-year grant for the Cardiovascular Health Initiative by the Foundation amounting to \$36.7 million.

In July 2017, Vital Strategies was awarded a one-year grant for the Global Cardiovascular Health and Public Health Infrastructure Initiative by the Silicon Valley Community Foundation – Chan Zuckerberg Initiative DAF amounting to \$15 million.

In June 2017, Vital Strategies was awarded a five-year grant for the Global Cardiovascular Health and Public Health Infrastructure Initiative by the Bill & Melinda Gates Foundation amounting to \$10 million for 2017. This agreement could amount to up to an additional \$40 million over the next 4 years, contingent upon the annual reviews of the Bill & Melinda Gates Foundation.

In March 2017, Vital Strategies was awarded a two-year grant for the Partnership for Healthy Cities Program by the Foundation amounting to \$8.2 million.

4. Grants Receivable

Vital Strategies has the following grants receivable for which management determined that no allowance for doubtful accounts is required at December 31:

	<u>2017</u>	<u>2016</u>
Grants receivable		
Foundations	\$ 69,432,284	\$ 11,851,369
USAID	3,489,404	-
The Union	<u>10,001,972</u>	<u>5,735,935</u>
	82,923,660	17,587,304
Discount to present value (3.75% for 2017 and 2016)	<u>(174,268)</u>	<u>(193,608)</u>
	<u>\$ 82,749,392</u>	<u>\$ 17,393,696</u>

**International Union Against Tuberculosis
and Lung Disease, Inc. (d/b/a Vital Strategies)**

Notes to Financial Statements
December 31, 2017

4. Grants Receivable (continued)

Collections on the outstanding grants (before discount to present value) at December 31, 2017 are scheduled to be received as follows:

2018	\$ 79,761,586
2019	850,000
2020	1,212,074
2021	550,000
2022	550,000
	<u>\$ 82,923,660</u>

5. Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Computer equipment	\$ 657,373	\$ 651,322
Leasehold improvement	<u>106,100</u>	<u>106,100</u>
	763,473	757,422
Accumulated depreciation	<u>(682,481)</u>	<u>(644,420)</u>
	<u>\$ 80,992</u>	<u>\$ 113,002</u>

6. Temporarily Restricted Net Assets

The following summarizes the changes in temporarily restricted net assets for the years ended December 31:

	<u>2017</u>			
	<u>Beginning of Year</u>	<u>Contributions and Interest Income</u>	<u>Released from Restrictions</u>	<u>End of Year</u>
Tobacco Control Initiative	\$ 1,562,190	\$ 41,770,099	\$ (16,989,380)	\$ 26,342,909
Data For Health Initiative	9,021,747	29,169,589	(14,492,894)	23,698,442
Global Road Safety Initiative	14,356,700	14,063	(6,669,931)	7,700,832
Initiative to Prevent Maternal Deaths in Tanzania	1,195,412	3,910,574	(2,566,329)	2,539,657
STREAM Clinical Trials	2,344,569	8,383,272	(8,792,122)	1,935,719
Other Health Programs	46,060	398,760	(385,910)	58,910
Obesity Prevention Initiative	1,473,110	-	(900,698)	572,412
RESOLVE	-	61,677,000	(14,755,437)	46,921,563
Partnership for Healthy Cities Initiative	-	8,200,000	(1,510,806)	6,689,194
Mayors Challenge	-	9,955,000	(1,073,410)	8,881,590
	<u>\$ 29,999,788</u>	<u>\$ 163,478,357</u>	<u>\$ (68,136,917)</u>	<u>\$ 125,341,228</u>

**International Union Against Tuberculosis
and Lung Disease, Inc. (d/b/a Vital Strategies)**

Notes to Financial Statements
December 31, 2017

6. Temporarily Restricted Net Assets (continued)

	2016			
	Beginning of Year	Contributions and Interest Income	Released from Restrictions	End of Year
Tobacco Control Initiative	\$ 26,815,612	\$ 8,943	\$ (25,262,365)	\$ 1,562,190
Data For Health Initiative	20,137,580	69,312	(11,185,145)	9,021,747
Global Road Safety Initiative	8,805,233	11,538,679	(5,987,212)	14,356,700
Initiative to Prevent Maternal Deaths in Tanzania	3,332,918	778,994	(2,916,500)	1,195,412
STREAM Clinical Trials	2,301,400	5,769,082	(5,725,913)	2,344,569
Other Health Programs	-	156,604	(110,544)	46,060
Obesity Prevention Initiative	124,893	2,127,001	(778,784)	1,473,110
	<u>\$ 61,517,636</u>	<u>\$ 20,448,615</u>	<u>\$ (51,966,463)</u>	<u>\$ 29,999,788</u>

7. Commitments

Operating Lease

Vital Strategies is obligated under operating leases for its administrative offices. The leases are for terms ending on August 31, 2018, and are subject to annual escalations.

On October 6, 2017, Vital Strategies entered into a new lease agreement for two floors of leasable space. The 4th floor lease term begins on October 15, 2018 (“effective date”). The rent commencement date is defined as seven months after the effective date whereby payments of fixed rent commence and are payable monthly at an initial rate of \$1,082,202 per annum. The 5th floor lease term begins on the later of June 1, 2018 or the date upon which the Landlord’s work is deemed to be substantially completed (“commencement date”). The rent commencement date is defined as 150 days after the commencement date, whereby payments of fixed rent commence and are payable monthly, at an initial rate of \$1,051,992 per annum.

Rent expense is calculated on a straight-line basis over the term of the leases. Rent expense for the years ended December 31, 2017 and 2016 was \$891,662 and \$779,683.

Future minimum obligations under the leases at December 31, 2017 are as follows:

2018	\$ 738,035
2019	1,773,460
2020	2,134,194
2021	2,134,194
2022	2,134,194
Thereafter	<u>13,032,333</u>
	<u>\$ 21,946,410</u>

**International Union Against Tuberculosis
and Lung Disease, Inc. (d/b/a Vital Strategies)**

Notes to Financial Statements
December 31, 2017

8. Related Party Transactions

Vital Strategies partners with The Union and VS Paris and maintains various agreements that allow for the exchange of finances in support of general operations, projects, activities, and personnel. During the course of any year, the transfer of restricted and unrestricted funds and donations between the entities and branch offices of The Union may be exercised through these agreements, for the purposes of implementing the most efficient and effective work arrangements. Vital Strategies accepts to undertake such activities only after careful examinations indicate that basing activities in the New York City office reflects the most prudent, efficient and effective course to be taken. In addition, Vital Strategies is the custodian of NAR (the North America Region Charter of the Union) funds, which are held in a designated bank account. The balance of funds as of December 31, 2017 and 2016 is \$260,796 and \$271,006.

In connection with this cooperative effort, Vital Strategies and The Union provided funding for work related to charitable purposes. During 2017 and 2016, Vital Strategies provided \$10.6 million and \$8.4 million to The Union in grant funding. The Union provided Vital Strategies with \$686,678 and \$566,740 in grant funding in 2017 and 2016.

As of December 31, 2017 and 2016, Vital Strategies held grants receivable from The Union of \$10.0 million and \$5.7 million. These related to grant activities performed by Vital Strategies for The Union.

As of December 31, 2017 and 2016, Vital Strategies held grants payable to The Union of \$4.1 million and \$3.7 million. These related to grant activities performed by The Union for Vital Strategies.

As of December 31, 2017 and 2016, Vital Strategies provided The Union with refundable advances of \$1.5 million and \$811,471.

As of December 31, 2017 and 2016, Vital Strategies was due funds from The Union of \$680,523 and \$0. The funds owed to Vital Strategies were the result of an overpayment of funds to cover grant activities for The Union that will be refunded to Vital Strategies.

As of December 31, 2017 and 2016, The Union was due \$488,100 and \$456,916 from Vital Strategies. These funds were due to The Union, for payments made by The Union on behalf of Vital Strategies. These payments are made to sub-recipients in countries where payments cannot be made from the United States, but can be made from The Union.

In connection with this cooperative effort, Vital Strategies provided funding to The Union's Singapore Field Office for work related to charitable purposes. During 2017 and 2016, Vital Strategies provided \$975,861 and \$0 to Singapore in grant funding.

As of December 31, 2017 and 2016, Vital Strategies held grants payable to The Union's Singapore Field office of \$230,846 and \$0. These are amounts owed to The Union's Singapore Field Office for grant activities performed for Vital Strategies.

**International Union Against Tuberculosis
and Lung Disease, Inc. (d/b/a Vital Strategies)**

Notes to Financial Statements
December 31, 2017

8. Related Party Transactions (continued)

As of December 31, 2017 and 2016, Vital Strategies provided VS Paris with refundable advances of \$102,398 and \$0.

In connection with this cooperative effort, Vital Strategies provided funding to VS Paris for work related to charitable purposes. During 2017 and 2016, Vital Strategies provided \$67,379 and \$0 to VS Paris in grant funding.

9. Other Significant Concentrations

Financial instruments that potentially subject Vital Strategies to concentrations consist principally of cash and grants receivable. Vital Strategies maintains its cash balances at financial institutions located in New York. At times, cash balances, may be in excess of the balance insured by the Federal Deposit Insurance Corporation. Vital Strategies believes all grants receivable are collectible.

As of and for the year ended December 31, 2017 five funding sources accounted for approximately 99% of grants receivable and revenue and support. As of and for the year ended December 31, 2016 three funding sources accounted for approximately 99% of grants receivable and 98% of revenue and support.

10. Management's Discussion of Current Economic Environment and Plan to Improve Results of Operations

Vital Strategies has an unrestricted deficit of \$2,981,350 at December 31, 2017. Management recognized the need to address this deficit and has a plan in progress. Specifically, Vital Strategies has signed grants for funding of approximately \$121.4 million for 2018 for programs on Tobacco Control Initiative, Road Safety, TREAT TB, Janssen, Data for Health, Partnership for Healthy Cities, Resolve, and Obesity Prevention.

The revenue from these signed grants combined with the revenue from anticipated commitment grants after 2018 project to eliminate the deficit by the end of 2020.

Vital Strategies has also continued to refine and enhance its efforts on project expenditure management, project administration and budgeting. This includes its project coding system that tracks expenditures per project and by donor; that enables Vital Strategies to control for deviations from project budgets and plan better for its future expenses and results. Grant managers are also assigned to each program to review project expenses on a monthly basis and regular reporting of expenditures to budget are provided to program leads and the senior executive team members. Vital Strategies also has a budgeting process in place that starts with each project team planning out the entire year and budgets are approved by the Finance Committee and the Board.

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