

**TRUST FUND FOR THE GLOBAL FUND TO FIGHT  
AIDS, TUBERCULOSIS AND MALARIA**

**ADMINISTERED BY THE  
INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT  
AS TRUSTEE**

**WORLD BANK REFERENCE  
TF069001**

**SPECIAL PURPOSE FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
**December 31, 2009**

**THE WORLD BANK GROUP**  
Trust Funds Division  
Controller's Vice Presidency  
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KPMG LLP  
2001 M Street, NW  
Washington, DC 20036

## Independent Auditors' Report

The Board of Executive Directors of  
International Bank for Reconstruction and Development,  
as Trustee for the Trust Fund for the Global Fund to Fight Aids, Tuberculosis and Malaria:

We have audited the accompanying special purpose statement of assets and liabilities, and uncommitted funds held in trust of the Trust Fund for the Global Fund to Fight Aids, Tuberculosis and Malaria (the Trust Fund) as of December 31, 2009 and 2008, and the related special purpose statements of activities and change in uncommitted funds held in trust and cash flows for the years then ended. These special purpose financial statements are the responsibility of management of the International Bank for Reconstruction and Development (Trustee). Our responsibility is to express an opinion on these special purpose 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 audits to obtain reasonable assurance about whether the special purpose 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 the Trust Fund'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 special purpose financial statements, assessing the basis of special purpose presentation used and significant estimates made by management, as well as evaluating the overall special purpose financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying special purpose financial statements were prepared for the purpose of reflecting the sources and applications of contributions received from donors and uncommitted funds held in trust as discussed in note 2, and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America or International Financial Reporting Standards.

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the assets and liabilities of the Trust Fund as of December 31, 2009 and 2008, and the revenues commitments, and cash flows for the years then ended, on the basis of accounting described in note 2.

As more fully described in note 2 to the financial statements, the Trust Fund discontinued its previous practice of discounting promissory notes receivable and contributions receivable. The effect of this change in accounting policy has been presented effective December 31, 2007.

This report is intended solely for the information and use of the addressees and the donors to the Trust Fund, and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

March 17, 2010

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TRUST FUND FOR THE GLOBAL FUND TO FIGHT AIDS,  
TUBERCULOSIS AND MALARIA

**SPECIAL PURPOSE STATEMENTS OF ASSETS AND LIABILITIES, AND  
UNCOMMITTED FUNDS HELD IN TRUST**

*Expressed in U.S. dollars*

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	<u>December 31, 2009</u>	<i>Restated</i> <u>December 31, 2008</u>
<b>ASSETS</b>		
Share in pooled cash and investments	\$ 5,707,752,774	\$ 5,080,917,812
Promissory notes receivable (Note 4)	570,801,106	468,164,100
Contributions receivable (Note 5)	<u>927,439,591</u>	<u>1,402,821,830</u>
<b>Total assets</b>	<b>\$ <u>7,205,993,471</u></b>	<b>\$ <u>6,951,903,742</u></b>
 <b>LIABILITIES AND UNCOMMITTED FUNDS HELD IN TRUST</b>		
<b>Liabilities</b>		
Committed for grants (Note 6)	\$ 4,448,611,360	\$ 3,110,189,009
Committed for administrative budgets and trustee fees (Note 7)	<u>64,031,578</u>	<u>39,895,181</u>
<b>Total liabilities</b>	<b><u>4,512,642,938</u></b>	<b><u>3,150,084,190</u></b>
 <b>UNCOMMITTED FUNDS HELD IN TRUST</b>		
	<u>2,693,350,533</u>	<u>3,801,819,552</u>
<b>Total liabilities and Uncommitted Funds Held in Trust</b>	<b>\$ <u>7,205,993,471</u></b>	<b>\$ <u>6,951,903,742</u></b>

The notes to Special Purpose Financial Statements are an integral part of these Statements.

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TRUST FUND FOR THE GLOBAL FUND TO FIGHT AIDS,  
TUBERCULOSIS AND MALARIA

**SPECIAL PURPOSE STATEMENTS OF ACTIVITIES AND CHANGE IN  
UNCOMMITTED FUNDS HELD IN TRUST**

*Expressed in U.S. dollars*

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	Year ended December 31, 2009	<i>Restated</i> Year ended December 31, 2008
<b>Revenues</b>		
Contributions	\$ 2,846,675,590	\$ 3,692,750,534
Net investment income	150,346,164	290,835,365
Total Revenues	<u>2,997,021,754</u>	<u>3,983,585,899</u>
<b>Expenses</b>		
Commitments made for grants (Note 6)	4,073,167,197	2,548,636,690
Net commitments made for administrative budgets and trustee fees (Note 7)	151,371,706	-
Total expenses	<u>4,224,538,903</u>	<u>2,548,636,690</u>
Foreign currency exchange gain/(loss)	<u>119,048,130</u>	<u>(78,788,708)</u>
Change in Uncommitted Funds Held in Trust	(1,108,469,019)	1,356,160,501
Uncommitted Funds Held in Trust, beginning of the year (Note 2)	<u>3,801,819,552</u>	<u>2,445,659,051</u>
Uncommitted Funds Held in Trust, end of the year	<u>\$ 2,693,350,533</u>	<u>\$ 3,801,819,552</u>

The notes to Special Purpose Financial Statements are an integral part of these Statements.

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TRUST FUND FOR THE GLOBAL FUND TO FIGHT AIDS,  
TUBERCULOSIS AND MALARIA

**STATEMENTS OF CASH FLOWS**

*Expressed in U.S. dollars*

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	<u>Year ended December 31, 2009</u>	<u>Year ended December 31, 2008</u>
<b>Cash Flows from Operating Activities:</b>		
Cash contributions received	\$ 3,330,780,826	\$ 2,924,620,670
Disbursements for grants	(2,729,333,920)	(2,261,520,870)
Disbursements for administrative budgets and trustee fees	(200,320,422)	(164,000,819)
Refunds for administrative budgets and trustee fees	73,085,113	-
Net purchase of share in pooled cash and investments	<u>(474,211,597)</u>	<u>(499,098,981)</u>
Net cash from operating activities	-	-
Cash, beginning of the year	<u>-</u>	<u>-</u>
<b>Cash, end of the year</b>	<b>\$ <u>-</u></b>	<b>\$ <u>-</u></b>

The notes to Special Purpose Financial Statements are an integral part of these Statements.

**TRUST FUND FOR THE GLOBAL FUND TO FIGHT AIDS,  
TUBERCULOSIS AND MALARIA**

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

December 31, 2009

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Note 1 – Organization, Operations, and Trustee Responsibilities

The Global Fund to Fight AIDS, Tuberculosis and Malaria (the “Global Fund”) is an independent, non-profit foundation that was incorporated in Geneva, Switzerland on January 22, 2002. The purpose of the Global Fund is to attract, manage and disburse resources through public-private partnership that will make a sustainable and significant contribution to the reduction of infections, illness and death, thereby mitigating the impact caused by HIV/AIDS, tuberculosis, and malaria in countries in need, and contributing to poverty reduction.

On May 31, 2002, the Global Fund and the International Bank for Reconstruction and Development (“IBRD”) entered into an agreement (the “Agreement”) to establish this trust fund (the “Trust Fund for the Global Fund to Fight AIDS, Tuberculosis and Malaria” or the “Trust Fund”) administered by IBRD as trustee (the “Trustee”) on behalf of the Global Fund, and this Agreement defines the Trustee’s responsibilities. In addition, as Trustee, IBRD is an ex officio member, without voting rights, of the Global Fund Board, and is a member of the Board’s Finance and Audit Committee.

Under the Agreement, the Trustee may accept contributions into the Trust Fund in the form of cash, promissory notes, letters of credit and similar obligations, which shall be acceptable to the Trustee, directly from public sector contributors, the United Nations Foundation (“UN Foundation”), the Global Fund and other private sector or non-governmental entities by entering into contribution agreements with contributors (the “Donors”). During the year, the Global Fund established the Affordable Medicines Facility for Malaria (AMFm) aimed at attracting resources for co-payment of malaria related expenses. Contributions received from Donors towards AMFm are recorded as contributions in the Trust Fund.

The Trustee disburses the funds from the Trust Fund, only on, and in accordance with, the written instructions of the Global Fund. In accordance with the Agreement, the Trustee has no responsibility to make any investigation into the facts or matters stated in any such written instructions and may rely solely on such written instructions. Upon written request from the Global Fund, the Trustee shall verify that the funds have been transferred to the payee specified in such written instructions. Accordingly, the Trustee does not have any further responsibility under the Agreement to the Donors or the Global Fund for the use by any recipient of any funds transferred from the Trust Fund in accordance with such instructions. Under the Agreement, the privileges and immunities accorded to the IBRD under its Articles of Agreement, apply to the assets, operations and transactions of the Trust Fund.

## NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2009

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### Note 2 – Significant Accounting Policies

*Basis of Special Purpose Presentation:* Due to the nature of the Trust Fund, these special purpose financial statements have been prepared for the specific purpose of reflecting the sources and applications of contributions received from donors and uncommitted funds held in trust, and are not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America or International Financial Reporting Standards (IFRS). Certain information however pertaining to fair value is presented in accordance with the pertinent IFRS pronouncement described in Note 8. These special purpose financial statements have been prepared solely for the information and use of the Global Fund, IBRD, the Trustee of the Trust Fund, and the Donors to the Trust Fund, and are not intended to be and should not be used by anyone other than these specified parties.

*Basis of Accounting –* The Trust Fund special purpose financial statements are prepared in accordance with the accounting policies described below:

*Share in Pooled Cash and Investments –* Amounts paid into the Trust Fund, but not yet disbursed, are managed by the Trustee, which maintains an investment portfolio (the “Pool”) for all of the trust funds administered by the IBRD, the International Development Association, the International Finance Corporation, the Multilateral Investment Guarantee Agency, and the International Centre for Settlement of Investment Disputes (the “World Bank Group”). IBRD maintains all trust fund assets separate and apart from the funds of the World Bank Group.

The Pool is divided into sub-portfolios to which allocations are made based on fund specific investment horizons, risk tolerances and other eligibility requirements set by the Trustee. Generally, the Pool is invested in financial instruments such as money market instruments, government and agency obligations, mortgage-backed securities, and other high-grade bonds. The Pool may also include securities pledged as collateral under repurchase agreements with other counterparties and receivables from resale agreements for which it has accepted collateral. Additionally, the Pool includes derivative contracts such as currency forward contracts, plain vanilla swaps and callable swaps linked to interest rates, foreign exchange rates and equity indices.

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

December 31, 2009

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Note 2 – Significant Accounting Policies (continued)

Based on the Trustee's investment strategy for trust funds, each sub-portfolio is invested in a combination of these asset types consistent with the applicable risk tolerance for that sub-portfolio. The Trustee maintains the investments on a pooled accounting basis. The pooled investments are classified as held for trading (portfolio with securities acquired or incurred principally for the purpose of selling or repurchasing it in the near term) and are reported at fair value with gains/losses included in net investment income. Share in Pooled Cash and Investments represents the Trust Fund's pro-rata share of the Pool's fair value at the end of the reporting period. Purchases and sales within the Pool are accounted for at the trade date. The fair value is based on market quotations, where available. If quoted market prices are not available, fair values are based on generally accepted valuation techniques based on other observable market data. The corresponding proportionate interest income and investment gains/losses, accrue to the Trust Fund in the period in which they occur. The Trust Fund's share in the pooled cash and investments is not deemed to be equivalent to cash for the purposes of the Statement of Cash Flows.

In March 2009, the International Accounting Standards Board (IASB) issued amendments to IFRS 7, *Financial Instruments: Disclosures- Improving Disclosures about Financial Instruments*. The amendments expand disclosures required for fair value measurements of financial instruments recognized in the financial statements. The enhanced fair value measurement disclosure requirements include: a fair value hierarchy (i.e. categorization of all financial instruments into levels 1, 2 and 3 based on the relevant definitions); a summary of significant transfers between Level 1 and Level 2; reconciliation of Level 3 instruments at the beginning of the period to the ending balance; a summary of profit or loss for Level 3 positions held at balance sheet date; and sensitivity analysis information for the total position of Level 3 instruments and the basis for the calculation of such information. Refer to "Note 8 Fair Value of Financial Instruments" in the financial statements for the disclosures about fair value measurements of financial instruments.



**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

December 31, 2009

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Note 2 – Significant Accounting Policies (continued)

*Contributions and related receivables* – The Trustee holds all contributions for the Trust Fund in trust for the benefit of the Global Fund, and manages them in accordance with the Agreement and/or instructions from the Global Fund. Unconditional contributions receivable are recorded as revenue of the Trust Fund in the statement of activities, and reported by the Trustee upon signature of a contribution agreement between a Donor and the Trustee. Contributions received in currencies other than the U.S. dollar are converted into U.S. dollars at the market rate of exchange in effect at the transaction date. Notes and Contributions receivable denominated in currencies other than the U.S. dollar at the end of the reporting period are translated into U.S. dollars at the market rate of exchange prevailing at the end of the respective reporting period. Notes and contributions payments from Donors are assessed individually in consultation with the Global Fund at each reporting date for impairment.

*Committed for Administrative Budgets and Trustee Fees* –The Global Fund approves, on an annual basis, the budget for administrative services to be paid to by the Trust Fund to the Trustee and to the Global Fund Secretariat. The administrative services budget primarily covers the Global Fund commitment to staff provident fund and operation costs of the Global Fund Secretariat. The administrative services budgets become commitments of the Trust Fund pursuant to the Global Fund’s board approval and written communication from the Global Fund to commit the funds. The Trustee is compensated for the services provided to the Trust Fund under the Agreement with the Global Fund. The Global Fund approves on an annual basis, the fees to be paid to the Trustee. Upon written instructions from the Global Fund, the Trustee disburses the funds to these authorized recipients. Outstanding committed amounts for administrative budgets and trustee fees are recognized as liabilities.

*Committed for Grants* – The Global Fund enters into grant agreements with the recipients of the funds. The grants become commitments of the Trust Fund upon written instruction from the Global Fund to commit the amount of the grants. The Trustee disburses such committed funds from the Trust Fund in accordance with the written instructions from the Global Fund. Grants are denominated in either U.S. dollars or Euro. Outstanding commitments for grants are recognized as liabilities.

## NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2009

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### Note 2 – Significant Accounting Policies (continued)

*Translation of Currencies* – The Trust Fund financial statements are presented in U.S. dollars, which is the Trust Fund's functional and presentation currency. Transactions in currencies other than the U.S. dollar are recorded at the market rates of exchange in effect on the date of the transaction. At the end of each reporting period, assets and liabilities that are not denominated in U.S. dollars are revalued at the market rate of exchange prevailing at the end of the respective reporting period. Any adjustment resulting from currency exchange rate changes is recognized as foreign currency exchange gain/losses.

*Use of Estimates* – The preparation of financial statements requires management to make estimates and assumptions based upon information available as at the date of the financial statements. Actual results could differ from these estimates.

*Change in Accounting Policy* – During the year, the accounting policy with respect to discounting promissory note receivables and contribution receivables has been changed to record the promissory note receivables and contribution receivables at full undiscounted amounts which provide the total value of resources available for the operations of the Trust Fund at the financial statement date. Prior to this change, promissory note receivables and contribution receivables due more than one year after the financial statement date had been discounted to reflect their estimated present value. This change has been applied retrospectively, and the comparative financial statement for the year ended December 31, 2008 has been restated.

The effect of implementing this new accounting policy is to increase the value of the promissory note receivables and contribution receivables balances as of December 31, 2008 by \$76,791,214 and decrease the change in uncommitted funds held in trust for the year then ended by \$49,610,415 and, increase the opening value of uncommitted funds held for the year ended December 31, 2008 by \$126,401,629, which is the amount of adjustment relating to the periods prior 2008.

Had the accounting policy not been changed, promissory notes receivables and contribution receivables for the year ended December 31, 2009 would have been lower by \$36,843,633 and, the uncommitted funds held in trust lower by the same amount.

TRUST FUND FOR THE GLOBAL FUND TO FIGHT AIDS,  
TUBERCULOSIS AND MALARIA

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2009

Note 3 – Contributions

From May 31, 2002 (inception) to December 31, 2009, the contribution amounts pledged and paid by the Donors and the promissory notes and contributions receivable at December 31, 2009 are as follows:

Donor	Currency	Pledged Amounts	Paid in Cash <sup>1</sup>	Promissory Notes Receivable <sup>2</sup>	Contributions Receivable <sup>2</sup>
<b>Core fund contributions</b>					
Australia <sup>3</sup>	Australian dollars	168,500,000	163,500,000	-	-
Andorra	U.S. dollars	100,000	100,000	-	-
Austria	Euro	1,000,000	1,000,000	-	-
Barbados	U.S. dollars	100,000	100,000	-	-
Belgium	Euro	93,515,756	76,615,756	-	16,900,000
Brazil	U.S. dollars	150,000	150,000	-	-
Brunei Darussalam	U.S. dollars	50,000	50,000	-	-
Burkina Faso	U.S. dollars	75,000	75,000	-	-
Cameroon	U.S. dollars	100,000	-	-	100,000
Canada	U.S. dollars	100,005,514	100,005,514	-	-
Canada <sup>4</sup>	Canadian dollars	650,200,019	650,200,019	-	-
China	U.S. dollars	5,999,985	5,999,985	-	-
Denmark	Danish kroner	1,065,000,000	1,065,000,000	-	-
European Community	Euro	873,140,722	873,140,722	-	-
Finland	Euro	11,500,000	11,500,000	-	-
France	Euro	1,500,000,000	1,200,000,000	270,470,000	29,530,000
Gates Foundation	U.S. dollars	650,000,000	650,000,000	-	-
Germany	Euro	855,500,000	723,500,000	-	132,000,000
Global Fund	U.S. dollars	139,765,857	139,765,857	-	-
Greece	Euro	1,600,000	1,600,000	-	-
Hungary	U.S. dollars	55,000	55,000	-	-
Iceland	Icelandic kronur	30,000,000	30,000,000	-	-
Iceland	U.S. dollars	700,000	700,000	-	-
India	U.S. dollars	4,999,910	4,999,910	-	-
Indonesia	Euro	25,000,000	10,000,000	-	15,000,000
Ireland	Euro	170,000,000	115,000,000	-	55,000,000
Italy	Euro	790,335,717	790,335,717	-	-
Japan	U.S. dollars	1,040,946,085	1,040,946,085	-	-
Kuwait	U.S. dollars	1,000,000	1,000,000	-	-
Korea	U.S. dollars	11,000,000	11,000,000	-	-
Latvia	U.S. dollars	10,000	10,000	-	-
Liechtenstein	U.S. dollars	502,190	502,190	-	-
Liechtenstein	Swiss Francs	200,000	200,000	-	-
Luxembourg	Euro	16,050,000	16,050,000	-	-
Mexico	Mexican peso	1,130,000	1,130,000	-	-
Mexico	U.S. dollars	100,000	100,000	-	-
Monaco	U.S. dollars	132,000	132,000	-	-

<sup>1</sup> The U.S. dollar equivalent of contributions paid in cash from May 31, 2002 (inception) to December 31, 2009 is \$15,359,158,950. Contributions paid in cash for the year ended December 31, 2009 was \$3,330,780,826.

<sup>2</sup> Promissory notes receivable and contributions receivable in the reporting currency equivalent as of December 31, 2009 are provided in Notes 4 and 5, respectively.

<sup>3</sup> During October 2005, Australia and the Trustee agreed on the cancellation of an outstanding contribution receivable of \$A5,000,000, equivalent to \$3,747,500.

<sup>4</sup> Excludes contribution of Canadian Dollars 189,800,000 that is payable upon fulfillment of certain conditions stipulated in the contribution agreement.

TRUST FUND FOR THE GLOBAL FUND TO FIGHT AIDS,  
TUBERCULOSIS AND MALARIA

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2009

Note 3 – Contributions *(continued)*

Donor	Currency	Pledged Amounts	Paid in Cash <sup>1</sup>	Promissory Notes Receivable <sup>2</sup>	Contributions Receivable <sup>2</sup>
<b>Core fund contributions</b>					
Netherlands <sup>5</sup>	Euro	531,000,000	395,000,000	-	90,000,000
New Zealand	New Zealand dollars	3,450,000	3,450,000	-	-
Nigeria	U.S. dollars	9,080,914	9,080,914	-	-
Norway	Norwegian kroner	1,846,882,000	1,846,882,000	-	-
Pakistan	Euro	20,000,000	5,000,000	-	15,000,000
People's Republic of China	U.S. dollars	8,000,000	8,000,000	-	-
Poland	U.S. dollars	150,000	150,000	-	-
Portugal	U.S. dollars	13,000,000	10,500,000	-	2,500,000
Russian Federation <sup>6</sup>	U.S. dollars	235,016,166	235,016,166	-	-
Romania	Euro	425,000	425,000	-	-
Saudi Arabia	U.S. dollars	28,000,000	22,000,000	-	6,000,000
Singapore	U.S. dollars	1,000,000	1,000,000	-	-
Slovenia	Slovenian tolar	5,440,000	5,440,000	-	-
Slovenia	Euro	110,000	110,000	-	-
South Africa	U.S. dollars	10,145,985	10,145,985	-	-
South Africa	South Africa Rand	1,000,000	1,000,000	-	-
Spain	U.S. dollars	65,000,000	65,000,000	-	-
Spain	Euro	368,569,107	368,569,107	-	-
Sweden	Swedish kronor	3,356,000,000	3,356,000,000	-	-
Switzerland	Swiss francs	38,500,000	38,500,000	-	-
Switzerland	U.S. dollars	7,478,310	7,478,310	-	-
Thailand	U.S. dollars	10,000,000	8,000,000	-	2,000,000
Uganda	U.S. dollars	2,000,000	1,500,000	-	500,000
United Kingdom	Pounds sterling	689,110,990	412,110,990	112,000,000	165,000,000
United Nations Foundation <sup>7</sup>	U.S. dollars	50,139,747	50,139,747	-	-
United States of America	U.S. dollars	4,338,937,894	4,338,937,894	-	-
The World Health Organization (WHO)	U.S. dollars	38,897,279	38,897,279	-	-
Zimbabwe	U.S. dollars	158,462	158,462	-	-
<b>Affordable Medicines Facility for Malaria (AMFm)<sup>8</sup></b>					
Gates Foundation	U.S. dollars	20,015,000	9,531,173	-	10,483,827
United Kingdom	Pounds Sterling	40,000,000	-	-	40,000,000
WHO	U.S. dollars	130,000,000	65,000,000	-	65,000,000

<sup>1</sup> The U.S. dollar equivalent of contributions paid in cash from May 31, 2002 (inception) to December 31, 2009 is \$15,359,158,950. Contributions paid in cash for the year ended December 31, 2009 was \$3,330,780,826.

<sup>2</sup> Promissory notes receivable and contributions receivable in the reporting currency equivalent as of December 31, 2009 are provided in Notes 4 and 5, respectively.

<sup>5</sup> During December 2004, the Netherlands and the Trustee agreed on the cancellation of an outstanding contribution receivable of €46,000,000, equivalent to \$61,311,100.

<sup>6</sup> Contribution from the Russian Federation excludes \$21,983,834 that is payable upon fulfillment of certain conditions stipulated in the contribution agreement.

<sup>7</sup> Excludes contribution of \$2,210,078 that is payable at the discretion of the United Nations Foundation.

<sup>8</sup> Contributions to AMFm and investment income earned on AMFm funds are restricted to the use of AMFm activities. At December 31, 2009 investment loss of \$545,752 was attributed to the AMFm funds. Uncommitted funds held in trust restricted to the use of AMFm activities at December 31, 2009 totaled \$214,625,248.

TRUST FUND FOR THE GLOBAL FUND TO FIGHT AIDS,  
TUBERCULOSIS AND MALARIA

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

December 31, 2009

Note 4 – Promissory Notes Receivable

Donors may deposit non-negotiable and non-interest bearing promissory notes (“Notes”), letters of credit or other similar obligations payable in periodic installments or on demand.

As at December 31, 2009 and 2008, the Trust Fund was holding promissory notes from France and the United Kingdom as shown in the tables below:

	<u>France (EUR)</u>	<u>UK (GBP)</u>
<i>For the year ended December 31, 2008:</i>		
Balance at the beginning of the year	€ 185,750,000	£ 120,000,000
Note deposits	300,000,000	50,000,000
Note encashments	(235,750,000)	(90,000,000)
Notes receivable balance as at December 31, 2008	<u>€ 250,000,000</u>	<u>£ 80,000,000</u>
<i>For the year ended December 31, 2009:</i>		
Balance at the beginning of the year	€ 250,000,000	£ 80,000,000
Note deposits	270,470,000	115,000,000
Note encashments	(250,000,000)	(83,000,000)
Notes receivable balance as at December 31, 2009	<u>€ 270,470,000</u>	<u>£ 112,000,000</u>
Notes receivable maturities at December 31, 2009:		
January 1, 2009 through December 31, 2009	€ 50,000,000	£ -
January 1, 2010 through December 31, 2010	150,000,000	66,000,000
January 1, 2011 through December 31, 2011	70,470,000	46,000,000
	<u>€ 270,470,000</u>	<u>£ 112,000,000</u>

The Notes are recorded in U.S. dollar at the market rate of exchange in effect at the reporting date and subsequently translated at the market rate of exchange in effect at the financial statements date. As at December 31, 2009 and 2008 the promissory notes details in US dollars are as follows:

	<u>Total U.S. Dollar</u>	<u>France U.S. Dollar</u>	<u>UK U.S. Dollar</u>
Notes receivable balance as at December 31, 2008	468,164,100	352,382,500	115,781,600
Notes receivable balance as at December 31, 2009	<u>570,801,106</u>	<u>389,422,706</u>	<u>181,378,400</u>

At the reporting date no material outstanding notes receivable was deemed uncollectible.

TRUST FUND FOR THE GLOBAL FUND TO FIGHT AIDS,  
TUBERCULOSIS AND MALARIA

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

December 31, 2009

Note 5 – Contributions Receivable

As of December 31, 2009 and 2008, outstanding Contributions receivable are as follows:

Donor	Currency	December 31, 2009		December 31, 2008	
		Amount	U.S. dollar equivalent	Amount	U.S. dollar equivalent
Belgium	Euro	16,900,000	\$ 24,332,620	26,000,000	\$ 36,647,780
Cameroon	U.S. dollars	100,000	100,000	100,000	100,000
France	Euro	29,530,000	42,517,294	-	-
Gates Foundation	U.S. dollars	10,483,827	10,483,827	200,000,000	200,000,000
Germany	Euro	132,000,000	190,053,600	289,000,000	407,354,170
Indonesia	Euro	15,000,000	21,597,000	20,000,000	28,190,600
Ireland	Euro	55,000,000	79,189,000	65,000,000	91,619,450
Netherlands	Euro	90,000,000	129,582,000	150,000,000	211,429,500
Pakistan	Euro	15,000,000	21,597,000	-	-
Portugal	U.S. dollars	2,500,000	2,500,000	-	-
Saudi Arabia	U.S. dollars	6,000,000	6,000,000	12,000,000	12,000,000
Switzerland	Swiss Francs	-	-	7,000,000	6,627,880
Thailand	U.S. dollars	2,000,000	2,000,000	3,116,850	3,116,850
Uganda	U.S. dollars	500,000	500,000	500,000	500,000
United Kingdom	Pounds Sterling	205,000,000	331,987,250	280,000,000	405,235,600
WHO	U.S. dollars	65,000,000	65,000,000	-	-
Total Contributions Receivable			<u>\$ 927,439,591</u>		<u>\$ 1,402,821,830</u>
Contributions Receivable maturities:					
January 1, 2008 through December 31, 2008			\$ -		\$ 716,850
January 1, 2009 through December 31, 2009			96,007,044		653,377,950
January 1, 2010 through December 31, 2010			733,246,047		666,679,055
January 1, 2011 through December 31, 2011			83,788,500		75,000,325
January 1, 2012 through December 31, 2012			14,398,000		7,047,650
Total Contributions Receivable			<u>\$ 927,439,591</u>		<u>\$ 1,402,821,830</u>

Payments from Donors which are overdue beyond dates prescribed in the installment schedules are individually assessed in consultation with the Global Fund for potential uncollectability. At the reporting date no material outstanding contribution receivable was deemed uncollectible.

TRUST FUND FOR THE GLOBAL FUND TO FIGHT AIDS,  
TUBERCULOSIS AND MALARIA

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

December 31, 2009

Note 6 – Committed for Grants

A summary of the commitments and disbursements made for grants for the years ended December 31, 2009 and 2008 is as follows:

	<u>Amount</u>
<b><i>For the year ended December 31, 2008</i></b>	
Committed for Grants, beginning of the year	\$ 2,831,901,502
Commitments made	2,548,636,690
Disbursements made	(2,261,520,870)
Currency translation adjustment on euro-denominated commitments	<u>(8,828,313)</u>
Committed for Grants, end of the year	<u>\$ 3,110,189,009</u>
<b><i>For the year ended December 31, 2009</i></b>	
Committed for Grants, beginning of the year	\$ 3,110,189,009
Commitments made	4,073,167,197
Disbursements made	(2,729,333,920)
Currency translation adjustment on euro-denominated commitments	<u>(5,410,926)</u>
Committed for Grants, end of the year	<u>\$ 4,448,611,360</u>

TRUST FUND FOR THE GLOBAL FUND TO FIGHT AIDS,  
TUBERCULOSIS AND MALARIA

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2009

Note 7 -- Committed for Administrative Budgets and Trustee Fees

A summary of the commitments and disbursements for administrative budgets and trustee fees for the years ended December 31, 2009 and 2008 is as follows:

	WHO	Global Fund Secretariat	Trustee	Total
<b>For the year ended December 31, 2008</b>				
Committed for Administrative Budgets and Trustees				
Fees, beginning of the year <sup>1</sup>	\$ 201,296,000	\$ 200,000	\$ 2,400,000	\$ 203,896,000
Re-assigned Commitments <sup>2</sup>	(39,716,690)	39,716,690	-	-
Disbursements	(161,536,310)	(64,509)	(2,400,000)	(164,000,819)
Committed for Administrative Budgets and Trustee Fees, end of the year	<u>\$ 43,000</u>	<u>\$ 39,852,181</u>	<u>\$ -</u>	<u>\$ 39,895,181</u>
<b>For the year ended December 31, 2009</b>				
Committed for Administrative Budgets and Trustee Fees, beginning of the year	\$ 43,000	\$ 39,852,181	\$ -	\$ 39,895,181
Commitments				
Commitments made during the year	-	221,906,819	2,550,000	224,456,819
De-committed funds <sup>3</sup>	(73,085,113)	-	-	(73,085,113)
Net commitments for the year	<u>(73,085,113)</u>	<u>221,906,819</u>	<u>2,550,000</u>	<u>151,371,706</u>
Refund <sup>3</sup>	73,085,113	-	-	73,085,113
Disbursements	<u>(43,000)</u>	<u>(197,727,422)</u>	<u>(2,550,000)</u>	<u>(200,320,422)</u>
Committed for Administrative Budgets and Trustee Fees, end of the year <sup>4</sup>	<u>\$ -</u>	<u>\$ 64,031,578</u>	<u>\$ -</u>	<u>\$ 64,031,578</u>

<sup>1</sup> Amounts shown for the WHO, Global Fund Secretariat, and the Trustee include commitments of \$201,296,000, \$200,000 and \$2,400,000, respectively, approved for administrative services to be provided to the Global Fund during calendar year 2008.

<sup>2</sup> Global Fund Secretariat terminated the personnel and administrative services with the WHO effective December 31, 2008 and the outstanding commitment was re-assigned to the Global Fund Secretariat.

<sup>3</sup> At the end of the administrative services agreement between Global Fund and WHO, substantial portion of funds at WHO were returned to the Trust Fund and the balance was de-committed and made available for future commitment.

<sup>4</sup> Commitments to Global Fund includes commitment to the staff provident fund of \$26,056,953.



## NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2009

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### Note 8 – Fair Value of Financial Instruments

The share in pooled cash and investments (the “Pool”) is held in a trading portfolio which is reported at fair value. The Trust Fund’s share in the Pool is not traded in any market, however, the underlying assets within the Pool are exchange traded and are reported at fair value. The fair value is the amount for which a financial asset could be exchanged, or a financial liability settled, between knowledgeable, willing parties. If an active market exists, the market price is applied. If an active market does not exist, generally accepted valuation techniques, based on observable market data at the reporting date, are used instead. The most frequently used valuation estimation technique is the discounted cash flow method. The Trustee applies valuation techniques to unlisted trading portfolio assets including mortgage backed securities, asset backed securities, corporate and agency securities. The valuation models are based on daily LIBOR rates and swap curves, as well as credit spreads and prepayment rates provided by external pricing service agents. The fair values recognized in the financial statements are therefore determined in whole using valuation techniques based on assumptions supported by prices from observable current market transaction in the same instrument or available observable market data. The pooled cash and investments portfolio holds numerous securities each with different credit spreads and prepayment rates based on the characteristics of each security. The Trust Fund groups its share in the shared pool of investments as one class of financial assets. All other assets and liabilities are carried at cost.

### *Hierarchy disclosures*

The Trust Fund’s financial instruments are categorized based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to observable market-based inputs or inputs that are corroborated by market data (Level 2) and the lowest priority to unobservable inputs that are not corroborated by market data (Level 3). When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement of the instrument in its entirety. Thus, a Level 3 fair value measurement of the instrument may include inputs that are observable (Level 2) and unobservable (Level 3).

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

December 31, 2009

Note 8 – Fair Value of Financial Instruments (continued)

Financial instruments representing the entire Pool of investments for all trust funds administered by the World Bank Group are recorded at fair value are categorized based on the inputs to the valuation techniques as follows:

- Level 1: Financial instruments whose values are based on unadjusted quoted prices for identical instruments in active markets.
- Level 2: Financial instruments whose values are based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; or pricing models for which all significant inputs are observable, either directly or indirectly for substantially the full term of the instrument.
- Level 3: Financial instruments whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The following table shows financial instruments recognized at fair value, categorized between levels 1, 2 and 3:

**Fair Value Disclosure by Fair Value Hierarchy**

	<i>In millions of U.S. dollars</i>			
	<i>Fair Value Hierarchy Level</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Investment securities	\$ 5,177	16,710	86	21,973
Securities purchased under resale agreements and securities sold under repurchase agreements	(212)			(212)
Derivatives, net		63		63
<b>Total of financial instruments in the Pool at fair value</b>	<b>\$ 4,965</b>	<b>16,773</b>	<b>86</b>	<b>21,824</b>

Transfers between categories were not significant and Level 3 financial instruments are not significant, and therefore, no additional disclosures on them are included.

TRUST FUND FOR THE GLOBAL FUND TO FIGHT AIDS,  
TUBERCULOSIS AND MALARIA

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

December 31, 2009

Note 8 – Fair Value of Financial Instruments (continued)

*Trust Fund's Share of the Cash and Investments in the Pool*

The Trust Fund's share of the cash and investments in the Pool, which was allocated based on the specific investment horizons, risk tolerances and other eligibility requirements pursuant to the agreements, has a fair value of \$5,707,752,774 as of December 31, 2009 (2008: \$5,080,917,812). Investment income, net totaling \$150,346,164 was credited to the Trust Fund during the year ended December 31, 2009 (2008: \$290,835,365) based on the Trust Fund's allocated share of the cash and investments in the Pool. The investment income, net, by funding source is as follows:

<u>Funding source</u>	<u>For the year ended December 31, 2009</u>	<u>For the year ended December 31, 2008</u>
Core fund contributions	\$ 150,891,916	\$ 290,835,365
Affordable Medicine Facility for Malaria (AMFm)	(545,752)	-
<u>Total investment income, net</u>	<u>\$ 150,346,164</u>	<u>\$ 290,835,365</u>

According to the contribution agreements between the Donors to AMFm and the Trustee, investment income earned on the contributions are restricted to the use of AMFm activities. No disbursement was made for AMFm related activities during the year.

All other financial assets and financial liabilities are carried at cost.

Note 9 - Collateral

The Pool includes securities pledged under repurchase agreements with other counterparties. The Trust Fund's proportionate share of the fair value of those securities at December 31, 2009 was \$100,069,783 (2008: \$199,353,862). There are no significant terms and conditions associated with the use of collateral. As at December 31, 2009 the Trustee did not hold collateral that it is permitted to sell or re-pledge in the absence of default. In addition, the trustee has not sold or re-pledged any collateral during the year.

## NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2009

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### Note 10 – Risks arising from Financial Instruments

The majority of the Trust Fund's assets consist of its share in pooled cash and investments. The Pool is actively managed and invested in accordance with the investments strategy established for all trust funds administered by the World Bank Group. The objectives of the investment strategy are foremost to maintain adequate liquidity to meet foreseeable cash flow needs and preserve capital and then to maximize investment returns.

The Trust Fund is exposed to market, credit and liquidity risks. There has been no significant change during the financial year, or since the end of the year, to the types of financial risks faced by the Trust Fund or the Trustee's approach to the management of those risks. The exposure and the risk management policies employed by the Trustee to manage these risks are discussed below:

*Market risk* – The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, currency rates or changes in interest rates. The Trust Fund is exposed to market risk, primarily related to foreign exchange rates and interest rates. The Trustee actively manages the Pool so as to minimize the probability of incurring negative returns over the applicable investment horizon.

- i. Interest Rate Risk* – The Trustee uses a value at risk (VAR) computation to estimate the potential loss in the fair value of the Pool's financial instruments with respect to unfavorable movements in interest rate and credit spreads. Effective October 2009, the Trustee uses the "Monte-Carlo Simulation" model to determine the observed inter-relationships between interest rate and credit spreads. These inter-relationships are determined by observing interest rate and credit spreads over a 5 year period of weekly historical data for the calculation of VAR amount. Prior to October 2009, the VAR was measured using a parametric/analytical approach. The absolute VAR of the Trust Fund's share of the portfolio over a twelve month horizon, at a 95% confidence level at December 31, 2009 is estimated to be \$185 million (2008: \$106 million). The computation does not purport to represent actual losses in fair value of the Trust Fund's share in the Pool. The Trustee cannot predict actual future movements in such market rates and does not claim that these VAR results are indicative of future movements in such market rates or to be representative of the actual impact that future changes in market rates may have on the Trust Fund's future results or financial position.

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

December 31, 2009

Note 10 – Risks arising from Financial Instruments (continued)

- ii. *Currency risk* – The risk that the value of a financial instrument will fluctuate because of changes in currency exchange rates when there is a mismatch between assets and liabilities denominated in any one currency. In accordance with the Agreement and/or the instructions from the Global Fund, the Trustee maintains the share in pooled cash and investments of the Trust Fund in U.S. dollars and euros. Promissory notes are held in euros and pound sterling, and majority of contribution receivables are denominated in euros and pound sterling. Cash contributions received are converted into U.S. dollars on receipt, except when the Global Fund instructs the Trustee to hold selected cash contributions received in euros. Commitments for administrative budgets, trustee fee and the majority of the grants are denominated in U.S. dollars.

The following table details the sensitivity of the Statement of Activities to a strengthening or weakening of the major currencies in which the Trust Fund holds financial instruments. The percentage movement applied in each currency is based on the average movements in the previous three annual reporting periods. The average movement in the current period is based on beginning and ending exchange rates in each period.

<i>Currency</i>	<i>2009</i>		<i>2008</i>	
	<i>Change %</i>	<i>Amount \$ Million</i>	<i>Change %</i>	<i>Amount \$ Million</i>
euro	3%	(+/-) 41	7%	(+/-) 95
Pound Sterling	15%	(+/-) 77	16%	(+/-) 83

*Credit Risk* – The risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Trust Fund’s maximum exposure to credit risk at December, 31, 2009 is equivalent to the gross value of the assets amounting to \$7,205,993,471 (2008: \$6,951,903,742). The Trustee does not hold any collateral or credit enhancements except for the repurchase agreements and resale agreements described in Note 9. The Trustee invests in liquid instruments such as money market deposits, government and agency obligations, and mortgage-backed securities and derivative contracts. The Trustee is limited to investments with minimum credit ratings as follows:

- Money market deposits: issued or guaranteed by financial institutions whose senior debt securities are rated at least A-.

## NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2009

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### Note 10 – Risks arising from Financial Instruments (continued)

- Government and agency obligations: issued or unconditionally guaranteed by government agencies rated at least AA- if denominated in a currency other than the home currency of the issuer, otherwise no rating is required. Obligations issued by an agency or instrumentality of a government, a multilateral organization or any other official entity require a minimum credit rating of AA-.
- Mortgage-backed securities, Asset-backed securities and corporate securities: minimum rating must be AAA.
- Derivatives: counterparties must have a minimum rating of A+.

At the reporting date, approximately 97% of the Trust Fund's share of the investment pool is held in securities rated at least AA, and 3% is held in securities rated at least A+. At the reporting date, the Trust Fund's proportionate share is: Money market deposits - 6% Government and agency obligations - 56%, Mortgage-backed securities, Asset-backed securities and corporate securities- 38%.

The Trustee identifies the concentration of credit risk based mainly on the extent to which the pool of cash and investments are held by an individual counterparty. The concentration of credit risk with respect to the pool of cash and investments is limited because the Trustee has policies that limit the amount of credit exposure to any individual issuer.

Notes and contributions receivable result from mutually signed contribution agreements. As noted previously, none of these financial assets are deemed uncollectible. Further, there was no renegotiation of terms, for financial assets that would otherwise be impaired.

*Liquidity risk* – The risk that an entity will encounter difficulty in raising liquid funds to meet its commitments. All the financial liabilities are payable on demand. As a policy, the Global Fund makes commitments for administrative budgets, trustee fees and grants only if there are sufficient underlying assets. The Trustee maintains a significant portion of the Pool in short-term money market deposits to meet disbursement requirements.

### Note 11 – Approval of Financial Statements

The financial statements were authorized for issue on March 17, 2010 by IBRD's management, in its capacity as the Trustee.