

**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, 2010**

**THE WORLD BANK GROUP**  
Trust Funds Division  
Controller's Vice Presidency  
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**KPMG LLP**  
2001 M Street, NW  
Washington, DC 20036-3389

## **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 statements 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, 2010 and 2009, 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, 2010 and 2009, and the revenues, expenses, and cash flows for the years then ended, on the basis of accounting described in note 2.

This report is intended solely for the information and use of the addressee 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 30, 2011

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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, 2010</u>	<u>December 31, 2009</u>
<b>ASSETS</b>		
Share in pooled cash and investments	\$ 5,291,106,201	\$ 5,707,752,774
Promissory notes receivable (Note 4)	654,387,921	570,801,106
Contributions receivable (Note 5)	<u>257,189,789</u>	<u>927,439,591</u>
<b>Total assets</b>	<b><u>\$ 6,202,683,911</u></b>	<b><u>\$ 7,205,993,471</u></b>
 <b>LIABILITIES AND UNCOMMITTED FUNDS HELD IN TRUST</b>		
<b>Liabilities</b>		
Committed for grants (Note 6 and 10)	\$ 4,489,477,386	\$ 4,448,611,360
Committed for administrative budgets and trustee fees (Note 7)	<u>61,619,225</u>	<u>64,031,578</u>
<b>Total liabilities</b>	<u>4,551,096,611</u>	<u>4,512,642,938</u>
 <b>UNCOMMITTED FUNDS HELD IN TRUST (partially restricted) (Note 3)</b>		
	<u>1,651,587,300</u>	<u>2,693,350,533</u>
<b>Total liabilities and Uncommitted Funds Held in Trust</b>	<b><u>\$ 6,202,683,911</u></b>	<b><u>\$ 7,205,993,471</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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	<u>Year ended December 31, 2010</u>	<u>Year ended December 31, 2009</u>
<b>Revenues</b>		
Contributions	\$ 2,298,444,064	\$ 2,846,675,590
Net investment income	147,963,148	150,346,164
Total Revenues	<u>2,446,407,212</u>	<u>2,997,021,754</u>
<b>Expenses</b>		
Commitments made for grants (Note 6 and 10)	3,165,887,709	4,073,167,197
Net commitments made for administrative budgets and trustee fees (Note 7)	280,397,407	151,371,706
Total expenses	<u>3,446,285,116</u>	<u>4,224,538,903</u>
Foreign currency exchange (loss)/gain	(41,285,329)	119,048,130
Write-off for doubtful receivables	(600,000)	-
	<u>(41,885,329)</u>	<u>119,048,130</u>
Change in Uncommitted Funds Held in Trust	(1,041,763,233)	(1,108,469,019)
Uncommitted Funds Held in Trust, beginning of the year	<u>2,693,350,533</u>	<u>3,801,819,552</u>
Uncommitted Funds Held in Trust, end of the year	<u>\$ 1,651,587,300</u>	<u>\$ 2,693,350,533</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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	Year ended December 31, 2010	Year ended December 31, 2009
<b>Cash Flows from Operating Activities:</b>		
Cash contributions received	\$ 2,824,036,912	\$ 3,330,780,826
Disbursements for grants	(3,076,919,720)	(2,729,333,920)
Disbursements for administrative budgets and trustee fees	(282,809,760)	(200,320,422)
Refunds for administrative budgets and trustee fees	-	73,085,113
Net sale/(purchase) of share in pooled cash and investments	<u>535,692,568</u>	<u>(474,211,597)</u>
Net cash from operating activities	-	-
Cash, beginning of the year	<u>-</u>	<u>-</u>
<b>Cash, end of the year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

December 31, 2010

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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, (date of inception, herein after referred to as “Inception”) 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, and Policy Strategy 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”). In 2009, 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 and are restricted for AMFm activities.

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, 2010

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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 of financial instruments held in the Pooled cash and investments 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 as 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, currency swaps and interest rate swaps.

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

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

December 31, 2010

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Note 2 – Significant Accounting Policies (continued)

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.

*Contributions, Contributions receivable and Promissory notes receivable* – 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 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 are paid through payment of cash or by deposit of promissory notes, letter of credit or other similar obligations payable in periodic installments or on demand. Promissory notes are non-negotiable and non-interest bearing. Donors satisfy their obligations under the promissory notes, letter of credit or other similar obligations by making cash payments in accordance with the indicative, non binding encashment schedule. 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. Promissory notes receivable 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. Promissory notes receivable and contributions receivable are reported at nominal value, net of an allowance for doubtful receivables, if any.

When promissory notes receivable and contributions receivable are overdue beyond dates specified in the installment schedules, the Trustee reduces the carrying value by recognizing a provision for doubtful receivables as specified in the following table:



**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

December 31, 2010

Note 2 – Significant Accounting Policies (continued)

Contributions receivable from sovereign governments		Contributions receivable from non-government agencies	
<u>Period in arrears</u>	<u>Provision percentage</u>	<u>Period in arrears</u>	<u>Provision percentage</u>
24 months	50%	24 months	50%
36 months	75%	36 months	100%
48 Months	100%		

Generally, receivables past due beyond 48 months are deemed uncollectible and are charged-off.

*Committed for Administrative Budgets and Trustee Fees* –The Global Fund approves, on an annual basis, the budget for administrative services to be paid by the Trust Fund to the Trustee and to the Global Fund Secretariat. The administrative budgets primarily cover the Global Fund’s operating costs related to the Global Fund Secretariat, as well as the Global Fund’s commitment to its staff provident fund, which provides retirement, death and disability benefits for the employees of the Global Fund. The administrative budgets become commitments of the Trust Fund pursuant to the Global Fund’s board approval and written communication from the Global Fund to the Trustee to commit the funds. The Trustee is compensated for the services it provides 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 out of the Trust Fund. Upon written instructions from the Global Fund, the Trustee disburses the committed administrative budgets funds to the Global Fund Secretariat. 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 grant amounts. The Trustee disburses 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.

*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

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

December 31, 2010

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Note 2 – Significant Accounting Policies

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.

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

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2010

Note 3 – Contributions

From Inception to December 31, 2010, the contribution amounts pledged and paid by the Donors and the promissory notes and contributions receivable at December 31, 2010 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	215,000,000	210,000,000	-	-
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	101,365,756	101,365,756	-	-
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	-	-
Canada	U.S. dollars	100,005,514	100,005,514	-	-
Canada	Canadian dollars	840,000,019	840,000,019	-	-
China	U.S. dollars	15,999,985	15,999,985	-	-
Cote d'Ivoire	Euro	9,500,000	469,269	-	9,030,731
Denmark	Danish kroner	1,240,000,000	1,240,000,000	-	-
European Community	Euro	923,140,722	923,140,722	-	-
Finland	Euro	15,000,000	15,000,000	-	-
France	Euro	1,800,000,000	1,500,000,000	282,429,500	17,570,500
Gates Foundation	U.S. dollars	650,000,000	650,000,000	-	-
Germany	Euro	975,000,000	927,500,000	-	47,500,000
Global Fund	U.S. dollars	165,856,496	165,856,496	-	-
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	9,999,910	9,999,910	-	-
Indonesia	Australian dollars	37,500,000	1,900,140	-	35,599,860
Indonesia	Euro	25,000,000	15,000,000	-	10,000,000
Ireland	Euro	170,000,000	124,050,000	-	45,950,000
Italy	Euro	790,335,717	790,335,717	-	-
Japan	U.S. dollars	1,287,816,090	1,287,816,090	-	-
Kuwait	U.S. dollars	1,500,000	1,500,000	-	-
Korea	U.S. dollars	13,000,000	13,000,000	-	-
Latvia	U.S. dollars	10,000	10,000	-	-
Liechtenstein	U.S. dollars	502,190	502,190	-	-
Liechtenstein	Swiss Francs	300,000	300,000	-	-
Luxembourg <sup>4</sup>	Euro	18,550,000	18,550,000	-	-
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 Inception to December 31, 2010 is \$18,183,195,862. Contributions paid in cash for the year ended December 31, 2010 was \$2,824,036,912.

<sup>2</sup> Promissory notes receivable and contributions receivable in the reporting currency equivalent as of December 31, 2010 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 €7,500,000 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, 2010

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	471,400,000	456,900,000	-	14,500,000
New Zealand	New Zealand dollars	4,450,000	4,450,000	-	-
Nigeria	U.S. dollars	19,080,914	19,044,210	-	36,704
Norway	Norwegian kroner	2,221,882,000	2,221,882,000	-	-
Pakistan	Euro	20,000,000	10,000,000	-	10,000,000
Poland	U.S. dollars	150,000	150,000	-	-
Portugal	U.S. dollars	13,000,000	13,000,000	-	-
Russian Federation	U.S. dollars	257,000,000	257,000,000	-	-
Romania	Euro	475,000	475,000	-	-
Saudi Arabia	U.S. dollars	28,000,000	28,000,000	-	-
Singapore	U.S. dollars	1,000,000	1,000,000	-	-
Slovenia	Slovenian tolar	5,400,000	5,400,000	-	-
Slovenia	Euro	160,000	160,000	-	-
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	471,569,107	471,569,107	-	-
Sweden	Swedish kronor	3,856,000,000	3,856,000,000	-	-
Switzerland	Swiss francs	45,500,000	45,500,000	-	-
Switzerland	U.S. dollars	7,478,310	7,478,310	-	-
Thailand	U.S. dollars	10,000,000	9,000,000	-	1,000,000
Tunisia	U.S. dollars	2,000,000	2,000,000	-	-
Uganda	U.S. dollars	1,500,000	1,500,000	-	-
United Kingdom	Pounds sterling	689,110,990	511,110,990	178,000,000	-
United Nations Foundation <sup>6</sup>	U.S. dollars	68,557,234	55,429,707	-	13,127,527
United States of America	U.S. dollars	5,130,190,262	5,130,190,262	-	-
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>7</sup>-restricted</b>					
Gates Foundation	U.S. dollars	20,015,000	20,015,000	-	-
United Kingdom	Pounds Sterling	40,000,000	40,000,000	-	-
WHO	U.S. dollars	130,000,000	130,000,000	-	-

<sup>1</sup>The U.S. dollar equivalent of contributions paid in cash from Inception to December 31, 2010 is \$18,183,195,862. Contributions paid in cash for the year ended December 31, 2010 was \$2,824,036,912.

<sup>2</sup>Promissory notes receivable and contributions receivable in the reporting currency equivalent as of December 31, 2010 are provided in Notes 4 and 5, respectively.

<sup>5</sup> During December 2004 and 2010, the Netherlands and the Trustee agreed on the cancellation of an outstanding contribution receivable of €46,000,000 (equivalent to \$61,311,100) and €13,600,000 (equivalent to \$17,829,600).

<sup>6</sup> Excludes contribution of \$1,292,591 that is payable at the discretion of the United Nations Foundation.

<sup>7</sup> Contributions to AMFm and investment income earned on AMFm funds are restricted to the use of AMFm activities. From January 1, 2009 to December 31, 2010, investment income of \$3,134,223 was attributed to the AMFm funds. Uncommitted funds held in trust restricted to the use of AMFm activities at December 31, 2010, and December 2009 totaled \$193,639,041 and \$214,247,248, respectively.

TRUST FUND FOR THE GLOBAL FUND TO FIGHT AIDS,  
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**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

December 31, 2010

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.

At December 31, 2010 and 2009, 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>
<b><i>For the year ended December 31, 2010</i></b>		
Balance at the beginning of the year	€ 270,470,000	£ 112,000,000
Note deposits	311,959,500	165,000,000
Note encashments	(300,000,000)	(99,000,000)
Notes receivable balance as at December 31, 2010	<u>€ 282,429,500</u>	<u>£ 178,000,000</u>
<b><i>For the year ended December 31, 2009</i></b>		
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, 2010:		
January 1, 2011 through December 31, 2011	€ 200,000,000	£ 112,000,000
January 1, 2012 through December 31, 2012	82,429,500	66,000,000
	<u>€ 282,429,500</u>	<u>£ 178,000,000</u>

Notes denominated in currencies other than U.S. dollars are initially reported at the U.S. dollar equivalent using the market rate of exchange in effect on the date of transaction and are subsequently revalued at the market rate of exchange in effect at the reporting date. As of December 31, 2010 and 2009, the promissory notes details in U.S. dollars are as follows:

	<u>Total U.S. dollar equivalent</u>	<u>France U.S. dollar equivalent</u>	<u>UK U.S. dollar equivalent</u>
Notes receivable balance as at December 31, 2010	<u>\$ 654,387,921</u>	<u>\$ 377,989,521</u>	<u>\$ 276,398,400</u>
Notes receivable balance as at December 31, 2009	<u>\$ 570,801,106</u>	<u>\$ 389,422,706</u>	<u>\$ 181,378,400</u>

As of December 31, 2010 and 2009, no promissory notes were past due beyond the dates specified in the contribution agreements.

TRUST FUND FOR THE GLOBAL FUND TO FIGHT AIDS,  
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**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

December 31, 2010

Note 5 – Contributions Receivable

As of December 31, 2010 and 2009, outstanding Contributions receivable are as follows:

Donor	Currency	December 31, 2010		December 31, 2009	
		Amount	U.S. dollar equivalent	Amount	U.S. dollar equivalent
Belgium	Euro	-	\$ -	16,900,000	\$ 24,332,620
Cameroon	U.S. dollars	-	-	100,000	100,000
Cote d'Ivoire	Euro	9,030,731	12,086,279	-	-
France	Euro	17,570,500	23,515,479	29,530,000	42,517,294
Gates Foundation	U.S. dollars	-	-	10,483,827	10,483,827
Germany	Euro	47,500,000	63,571,625	132,000,000	190,053,600
Indonesia	Australian dollar	35,599,860	36,181,918	-	-
Indonesia	Euro	10,000,000	13,383,500	15,000,000	21,597,000
Ireland	Euro	45,950,000	61,497,182	55,000,000	79,189,000
Netherlands	Euro	14,500,000	19,406,075	90,000,000	129,582,000
Nigeria	U.S. dollars	36,704	36,704	-	-
Pakistan	Euro	10,000,000	13,383,500	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
Thailand	U.S. dollars	1,000,000	1,000,000	2,000,000	2,000,000
Uganda	U.S. dollars	-	-	500,000	500,000
United Kingdom	Pounds Sterling	-	-	205,000,000	331,987,250
United Nations					
Foundation	U.S. dollars	13,127,527	13,127,527	-	-
WHO	U.S. dollars	-	-	65,000,000	65,000,000
<b>Total Contributions Receivable</b>			<b>\$ 257,189,789</b>		<b>\$ 927,439,591</b>
Contributions Receivable maturities:					
January 1, 2009 through December 31, 2009			\$ -		\$ 96,007,044
January 1, 2010 through December 31, 2010			98,176,892		733,246,047
January 1, 2011 through December 31, 2011			88,265,644		83,788,500
January 1, 2012 through December 31, 2012			24,891,116		14,398,000
January 1, 2013 through December 31, 2013			22,184,629		-
January 1, 2014 through December 31, 2018			23,671,508		-
<b>Total Contributions Receivable</b>			<b>\$ 257,189,789</b>		<b>\$ 927,439,591</b>

As of December 31, 2010 and 2009, receivables past due less than twelve months totaled approximately \$84 million and \$79 million, respectively and receivables past due greater than twelve months totaled approximately \$14 million and \$0.6 million, respectively.

TRUST FUND FOR THE GLOBAL FUND TO FIGHT AIDS,  
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**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

December 31, 2010

Note 6 – Committed for Grants

A summary of the commitments and disbursements made for grants for the years ended December 31, 2010 and 2009 is as follows:

	Core projects	AMFm	Total
<b><i>For the year ended December 31, 2010</i></b>			
Committed for Grants, beginning of the year	\$ 4,448,611,360	\$ -	\$ 4,448,611,360
Commitments made	3,143,887,709	22,000,000	3,165,887,709
Disbursements made	(3,071,919,720)	(5,000,000)	(3,076,919,720)
Currency translation adjustment on euro-denominated commitments (gain)	(48,101,963)	-	(48,101,963)
Committed for Grants, end of the year	<u>\$ 4,472,477,386</u>	<u>\$ 17,000,000</u>	<u>\$ 4,489,477,386</u>
<b><i>For the year ended December 31, 2009</i></b>			
Committed for Grants, beginning of the year	\$ 3,110,189,009	\$ -	\$ 3,110,189,009
Commitments made	4,073,167,197	-	4,073,167,197
Disbursements made	(2,729,333,920)	-	(2,729,333,920)
Currency translation adjustment on euro-denominated commitments (gain)	(5,410,926)	-	(5,410,926)
Committed for Grants, end of the year	<u>\$ 4,448,611,360</u>	<u>\$ -</u>	<u>\$ 4,448,611,360</u>

TRUST FUND FOR THE GLOBAL FUND TO FIGHT AIDS,  
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**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

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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, 2010 and 2009 is as follows:

	WHO	Global Fund Secretariat	Trustee	Total
<b><i>For the year ended December 31, 2010</i></b>				
Committed for Administrative Budgets and Trustees Fees, beginning of the year	\$ -	\$ 64,031,578	\$ -	\$ 64,031,578
Commitments made during the year <sup>1</sup>	-	277,697,407	2,700,000	280,397,407
Disbursements <sup>2</sup>	-	(280,109,760)	(2,700,000)	(282,809,760)
Committed for Administrative Budgets and Trustee Fees, end of the year	<u>\$ -</u>	<u>\$ 61,619,225</u>	<u>\$ -</u>	<u>\$ 61,619,225</u>
<b><i>For the year ended December 31, 2009</i></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 Global Fund Secretariat include commitments of \$12,997,372 to the staff provident fund.

<sup>2</sup> Disbursement to the Global Fund Secretariat include payments for staff provident fund of \$39,054,325. This represents full settlement of the outstanding commitment to staff provident fund.

<sup>3</sup> The Global Fund Secretariat terminated the personnel and administrative services with the World Health Organization (WHO) effective December 31, 2008. Upon termination of the administrative services agreement, all cumulative unused funds at WHO were returned to the Trust Fund and the balance was de-committed and made available for future commitment.

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



## NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2010

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### Note 8 – Fair Value of Financial Instruments

As discussed in Note 2, the cash and investments of all trust funds administered by the World Bank Group are managed in a pooled investment portfolio. The Trust Fund's share in the Pool is not traded in any market; however, the underlying assets within the Pool are traded and reported at fair value. All investment decisions are made and performance monitored at the Pool level. The disclosure on fair value measurement and fair value hierarchy is therefore at the Pool level. The fair value amount of the Trust Fund's share in the pooled cash and investments at the end of the reporting period is also disclosed.

#### *Fair Value Measurements*

IBRD has an established and documented process for determining fair values. Fair value is based upon quoted market prices for the same or similar securities, where available. Financial instruments for which quoted market prices are not readily available are valued based on discounted cash flow models. These models primarily use market-based or independently-sourced market parameters such as yield curves, interest rates, volatilities, foreign exchange rates and credit curves and may incorporate unobservable inputs. Selection of these inputs may involve judgment. To ensure the valuations are appropriate where internally-developed models are used, IBRD, as Trustee, has various controls in place, which include both internal and periodic external verification and review.

The techniques applied in determining the fair values of financial instruments are summarized below.

#### *Investment securities*

Where available, quoted market prices are used to determine the fair value of investment securities. The Pool may include investment securities such as government and agency obligations, money market securities and corporate and asset-backed securities. For instruments for which quoted market prices are not readily available, fair values are determined using model-based valuation techniques, either internally-generated or vendor-supplied, that include the standard discounted cash flow method using market observable inputs such as yield curves, credit spreads and prepayment speeds. Unless quoted prices are available, money market instruments are reported at face value, which approximates fair value.

#### *Securities purchased under resale agreements and securities sold under repurchase agreements*

Securities purchased under resale agreements and securities sold under repurchase agreements are reported at face value which approximates fair value.

## NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2010

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### Note 8 – Fair Value of Financial Instruments

#### *Discount notes and plain vanilla bonds*

Discount notes and plain vanilla bonds are valued using the standard discounted cash flow method, which relies on market observable inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads.

#### *Derivative contracts*

Derivative contracts include currency forward contracts, currency swaps and interest rate swaps. Derivatives are valued using standard discounted cash flow methods with market observable inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads.

#### *Fair Value Hierarchy*

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.

As of December 31, 2010 and December 31, 2009, the Pool does not have any financial instruments measured at fair value on non-recurring basis.

The following tables presents the Pool's fair value hierarchy for financial instruments measured at fair value on a recurring basis, categorized as of December 31, 2010 and December 31, 2009. The Trust Fund's allocated share of the Pool's financial instruments may hold varying proportions among the three levels.

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December 31, 2010

Note 8 – Fair Value of Financial Instruments *(continued)*

**Fair Value Disclosure by Fair Value Hierarchy as at December 31, 2010**

	<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				
Government and agency obligations	\$ 4,271	\$ 7,706	\$ -	\$ 11,977
Money market securities	525	9,245	-	9,770
Asset-backed securities	-	3,710	8	3,718
Total Investment securities	<u>\$ 4,796</u>	<u>\$ 20,661</u>	<u>\$ 8</u>	<u>\$ 25,465</u>
Securities purchased under resale agreements and securities sold under repurchase agreements	(115)	(52)	-	(167)
Derivatives, net	-	(128)	-	(128)
<b>Total of financial instruments in the Pool at fair value</b>	<b><u>\$ 4,681</u></b>	<b><u>\$ 20,481</u></b>	<b><u>\$ 8</u></b>	<b><u>\$ 25,170</u></b>

**Fair Value Disclosure by Fair Value Hierarchy as at December 31, 2009**

	<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				
Government and agency obligations	\$ 4,586	\$ 6,040	\$ -	\$ 10,626
Money market securities	591	6,941	-	7,532
Asset-backed securities	-	3,729	86	3,815
Total Investment securities	<u>\$ 5,177</u>	<u>\$ 16,710</u>	<u>\$ 86</u>	<u>\$ 21,973</u>
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><u>\$ 4,965</u></b>	<b><u>\$ 16,773</u></b>	<b><u>\$ 86</u></b>	<b><u>\$ 21,824</u></b>

During the fiscal years ended December 31, 2010 and December 31, 2009, neither transfers between levels nor securities in level 3 were significant. Therefore, no additional disclosures on them are included.

TRUST FUND FOR THE GLOBAL FUND TO FIGHT AIDS,  
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**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

December 31, 2010

Note 8 – Fair Value of Financial Instruments (continued)

In the Pool, the carrying values of securities pledged under repurchase agreements with other counterparties as of December 31, 2010 was \$317 million (2009: \$212 million). There are no significant terms and conditions associated with the use of collateral. Under resale agreement, the Trustee received securities as collateral with a fair value of \$150 million as of December 31, 2010 (2009: Nil) that it is permitted to sell or re-pledge in the absence of default. In addition, at December 31, 2010 and December 31, 2009, no securities received by the Trustee as collateral were sold or re-pledged.

*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 \$5,291,106,201 as of December 31, 2010 (2009: \$5,707,752,774). The Trust Fund groups its share in the shared pool of investments as one class of financial assets.

The Trust Fund Share of the Cash and Investments in the Pool by funding source is as follows:

<i>Funding source</i>	<i>For the year ended December 31, 2010</i>	<i>For the year ended December 31, 2009</i>
Core fund contributions	\$ 5,080,467,160	\$ 5,633,767,353
Affordable Medicine Facility for Malaria (AMFm)	210,639,041	73,985,421
Total share in pooled cash and investments	\$ 5,291,106,201	\$ 5,707,752,774

Investment income, net totaling \$147,963,148 was credited to the Trust Fund during the year ended December 31, 2010 (2009: \$150,346,164) 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:

<i>Funding source</i>	<i>For the year ended December 31, 2010</i>	<i>For the year ended December 31, 2009</i>
Core fund contributions	\$ 144,283,173	\$ 150,891,916
Affordable Medicine Facility for Malaria (AMFm)	3,679,975	(545,752)
Total investment income, net	\$ 147,963,148	\$ 150,346,164

According to the contribution agreements between the Donors to AMFm and the Trustee, contributions and investment income earned on the contributions are restricted to the use of AMFm activities.

All other financial assets and financial liabilities are carried at cost, subject to impairment reserves, if any.

## NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2010

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### Note 9 – Risks arising from Financial Instruments

The Trust Fund's assets consist of its share in pooled cash and investments, promissory notes and contributions receivable. 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. As of December 31, 2010, the VAR is measured using a parametric/analytical approach. It assumes that the movements in the market risk factors are normally distributed. In constructing the covariance matrix of market risk factors, a time decay factor is applied to weekly market data for the past three years. This approach takes into account three years' historical market observations, while giving more weight to recent market volatility. As of December 31, 2009, the Trustee measured the VAR using 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 five year period of weekly historical data for the calculation of VAR amount. 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, 2010 is estimated to be \$83 million (2009: \$185 million on the prior mentioned basis of computation). 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

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

December 31, 2010

Note 9 – Risks arising from Financial Instruments (continued)

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.

*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 contributions receivable 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. Commitments that are denominated in euros are sufficiently covered by the portion of the share in pooled cash and investments maintained in euro.

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 assets and liabilities. 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.

<u>Currency</u>	<u>2010</u>		<u>2009</u>	
	<u>Change %</u>	<u>Amount \$ Million</u>	<u>Change %</u>	<u>Amount \$ Million</u>
Euro	3%	(+/-) 20	3%	(+/-) 19
Pound Sterling	16%	(+/-) 44	15%	(+/-) 77

*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, 2010 is equivalent to the gross value of the assets amounting to \$6,202,683,911 (2009: \$7,205,993,471). The Trustee does not hold any collateral or credit enhancements except for the repurchase agreements and resale agreements described in Note 8. The Trustee invests in liquid instruments such as money market deposits, government and agency obligations, and mortgage-backed

## NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2010

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### Note 9 – Risks arising from Financial Instruments (continued)

securities and derivative contracts. The Trustee limits investments to those with minimum credit ratings in the U.S. markets or equivalent as follows:

- Money market deposits: issued or guaranteed by financial institutions whose senior debt securities are rated at least A-.
- 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 86% (2009:97%) of the Trust Fund's share of the investment pool is held in securities rated at least AA-, and 100% (2009:100%) is held in securities rated at least A-. At the reporting date, the Trust Fund's proportionate share is: Government and agency obligations – 47% (2009:56%), Money market deposits – 36% (2009:6%), Mortgage-backed securities, Asset-backed securities and corporate securities – 17% (2009:38%).

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. None of these financial assets are deemed uncollectible.

*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.

**NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS**

December 31, 2010

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Note 10 – Approval of Financial Statements and Subsequent Events

In December 2010, the Global Fund’s Inspector General reported upon the misuse of funds in four of the countries which receive grants from the Global Fund. The Global Fund has taken action to recover misappropriated funds and to prevent future misuse of grant money.

As stated in Note 1, the Trustee disburses 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.

In addition, in January 2011, Germany announced that it was suspending payments of contributions previously pledged to the Global Fund until further notice. Germany has initiated an inquiry into the misuse of funds, and indicated that payments to the Global Fund would resume following the satisfactory resolution of issues and concerns identified. As such, no allowance has been established against amounts due to the Global Fund from Germany.

Subsequent events have been evaluated through March 30, 2011, which is the date the financial statements were authorized to be issued by IBRD’s management, in its capacity as the Trustee, and the Trustee has determined that there are no other items to disclose