

**Globus Relief**

**Year Ended December 31, 2010**

**Financial Statements**

**And**

**Independent Auditor's Report**

# **Globus Relief**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Globus Relief  
Salt Lake City, UT

We have audited the accompanying statement of financial position of Globus Relief (a nonprofit organization) as of December 31, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year, summarized comparative information has been derived from the Organization's December 31, 2009 financial statements and, in our report dated March 4, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Globus Relief as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Shaw Mumford & Co., P.C.*

Bountiful, Utah  
April 29, 2011

**Globus Relief**  
**Statement of Financial Position**  
**December 31, 2010**  
**With Comparative Totals For December 31, 2009**

	<u>12/31/2010</u>	<u>12/31/2009</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 437,880	\$ 1,105,713
Accounts receivable	160,098	77,425
Allowance for doubtful accounts	(11,740)	(16,570)
Inventories	28,795,877	10,384,968
Prepaid expenses	<u>35,550</u>	<u>96,821</u>
Total current assets	<u>29,417,665</u>	<u>11,648,357</u>
Fixed assets, at cost		
Equipment	351,891	351,891
Furniture	21,430	21,430
Software	<u>132,036</u>	<u>129,492</u>
Total fixed assets	505,357	502,813
Less accumulated depreciation	<u>(440,297)</u>	<u>(395,663)</u>
Net fixed assets	<u>65,060</u>	<u>107,150</u>
Deposit on software	<u>79,674</u>	<u>71,464</u>
Organization costs	8,511	8,511
Less accumulated amortization	<u>(8,511)</u>	<u>(8,511)</u>
Net organization costs	<u>-</u>	<u>-</u>
Total assets	<u>\$ 29,562,399</u>	<u>\$ 11,826,971</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 70,302	\$ 83,443
Accrued liabilities	<u>59,848</u>	<u>465,048</u>
Total current liabilities	<u>130,150</u>	<u>548,491</u>
Net assets		
Unrestricted	29,409,347	11,256,797
Temporarily restricted	22,902	21,683
Permanently restricted	<u>-</u>	<u>-</u>
Total net assets	<u>29,432,249</u>	<u>11,278,480</u>
Total liabilities and net assets	<u>\$ 29,562,399</u>	<u>\$ 11,826,971</u>

See accompanying notes to financial statements.

**Globus Relief**  
**Statement of Activities**  
**Year Ended December 31, 2010**  
**With Comparative Totals For The Year Ended December 31, 2009**

	December 31, 2010			12/31/2010 Total	12/31/2009 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>SUPPORT AND REVENUES</b>					
<b>Support</b>					
In-kind donations	\$ 82,561,835	\$ -	\$ -	\$ 82,561,835	\$ 38,192,211
Donated rent and other operating costs	152,837	-	-	152,837	208,659
Contributions	78,653	22,000	-	100,653	199,680
Special projects donations	5,130	40,000	-	45,130	53,315
Net assets released from restrictions	60,781	(60,781)	-	-	-
<b>Total support</b>	<b>82,859,236</b>	<b>1,219</b>	<b>-</b>	<b>82,860,455</b>	<b>38,653,865</b>
<b>Revenues</b>					
Handling and processing fees	1,623,525	-	-	1,623,525	1,653,833
Product conversion income	738,082	-	-	738,082	546,612
Miscellaneous income	8,338	-	-	8,338	13,198
Interest income	2,601	-	-	2,601	4,802
<b>Total revenues</b>	<b>2,372,546</b>	<b>-</b>	<b>-</b>	<b>2,372,546</b>	<b>2,218,445</b>
<b>Total support and revenues</b>	<b>85,231,782</b>	<b>1,219</b>	<b>-</b>	<b>85,233,001</b>	<b>40,872,310</b>
<b>EXPENSES</b>					
Program services	66,677,080	-	-	66,677,080	41,090,842
General and administrative	270,478	-	-	270,478	232,003
Development and fundraising	131,674	-	-	131,674	170,413
<b>Total expenses</b>	<b>67,079,232</b>	<b>-</b>	<b>-</b>	<b>67,079,232</b>	<b>41,493,258</b>
Change in net assets	18,152,550	1,219	-	18,153,769	(620,948)
Net assets, beginning of year	11,256,797	21,683	-	11,278,480	11,899,428
Net assets, end of year	<u>\$ 29,409,347</u>	<u>\$ 22,902</u>	<u>\$ -</u>	<u>\$ 29,432,249</u>	<u>\$ 11,278,480</u>

See accompanying notes to financial statements.

**Globus Relief**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2010**  
**With Comparative Totals For The Year Ended December 31, 2009**

	December 31, 2010				
	Program Services	General and Administrative	Development Fundraising	12/31/2010 Total	12/31/2009 Total
Salaries and wages	\$ 836,099	\$ 84,292	\$ 91,618	\$ 1,012,009	\$ 990,361
Employee benefits	102,251	10,308	11,204	123,763	91,525
Payroll taxes	60,279	6,077	6,605	72,961	71,447
 Total salaries, payroll taxes and benefits	 998,629	 100,677	 109,427	 1,208,733	 1,153,333
Donations in-kind	64,698,048	-	-	64,698,048	39,295,826
Product acquisition costs	280,539	-	-	280,539	263,421
Rent	270,085	-	-	270,085	288,157
Freight/shipping	215,439	605	980	217,024	83,345
Contract services	26,938	84,822	1,432	113,192	86,735
Special projects expenses	47,530	-	-	47,530	69,700
Advertising/development	32,876	-	5,361	38,237	21,822
Insurance	2,495	26,786	-	29,281	30,905
Bank service charges	12,913	11,632	-	24,545	14,529
Telephone	18,111	2,865	2,283	23,259	23,071
Professional fees	-	20,197	-	20,197	9,909
Travel	11,198	7,000	-	18,198	14,099
Supplies	9,255	3,350	143	12,748	18,294
Automobile Expense	6,611	1,292	69	7,972	8,169
Meals and entertainment	602	1,759	3,494	5,855	3,581
Bad debt expense	5,797	-	-	5,797	16,570
Equipment rentals	400	4,396	-	4,796	7,804
Printing	-	-	2,664	2,664	2,655
Repairs and maintenance	160	499	1,688	2,347	12,835
Dues and subscriptions	1,658	470	18	2,146	2,763
License and permits	837	10	38	885	2,489
Donations and contributions	-	400	-	400	900
Miscellaneous	84	-	36	120	441
Occupancy expense	-	-	-	-	14,151
 Total expenses before depreciation	 66,640,205	 266,760	 127,633	 67,034,598	 41,445,504
Depreciation and amortization	36,875	3,718	4,041	44,634	47,754
 Total expenses	 <u>\$ 66,677,080</u>	 <u>\$ 270,478</u>	 <u>\$ 131,674</u>	 <u>\$ 67,079,232</u>	 <u>\$ 41,493,258</u>

See accompanying notes to financial statements.

**Globus Relief**  
**Statement of Cash Flows**  
**Year Ended December 31, 2010**  
**With Comparative Totals For The Year Ended December 31, 2009**

	<u>12/31/2010</u>	<u>12/31/2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 18,153,769	\$ (620,948)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	44,634	47,754
Allowance for doubtful accounts	(4,830)	16,570
Non-cash change in inventory	(18,410,909)	794,573
Changes in current assets and liabilities:		
Accounts receivable	(82,673)	30,235
Prepaid expenses	61,271	(45,251)
Deposit on software	(8,210)	(71,464)
Accounts payable	(13,141)	33,761
Accrued liabilities	<u>(405,200)</u>	<u>354,515</u>
Net cash provided by (used in) operating activities	<u>(665,289)</u>	<u>539,745</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	<u>(2,544)</u>	<u>(15,750)</u>
Net cash (used in) investing activities	<u>(2,544)</u>	<u>(15,750)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	(667,833)	523,995
Cash and cash equivalents, beginning of year	<u>1,105,713</u>	<u>581,718</u>
Cash and cash equivalents, end of year	<u>\$ 437,880</u>	<u>\$ 1,105,713</u>

**SUPPLEMENTAL CASH FLOW INFORMATION**

During the year ended December 31, 2010, the Organization received non-cash contributions in the amount of \$82,561,835. Other in-kind donations during the year ended December 31, 2010 consisted of facility rent of \$131,845, and health insurance of \$20,992.

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash paid for interest	\$ <u>-</u>	\$ <u>-</u>
Cash paid for income taxes	\$ <u>-</u>	\$ <u>-</u>

See accompanying notes to financial statements.

**Globus Relief**  
**Notes to Financial Statements**  
**December 31, 2010**

**1. ORGANIZATION HISTORY**

Globus Relief, formerly known as Globous Relief Fund, (the “Organization”) is a not-for-profit corporation organized under the laws of the State of Utah in December 1996. The organization’s vision is to continually work to improve healthcare. Efforts are marked by upgrading medical facilities, supplies and standards of delivery across the world. The Organization is a medical resource humanitarian organization, committed to partnering with other charities, Corporations and Governments working to improve the delivery of healthcare across the world. The Organization accomplishes the improvement of health care through the following five key deliverables: Assessment, Consulting, Acquiring, Packaging and Distributing (APD), Providing Bio-Tech Solutions, Training. The Organization reduces unnecessary duplication of efforts among our partners and work to produce a synergistic environment that magnifies effort and social impact.

The Organization receives contributions of funds, as well as medical, health, educational, food, and clothing supplies, and makes charitable contributions of these resources to entities, programs, and causes which promote humanitarian assistance worldwide.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Organization have been prepared on the accrual basis. The Organization follows the provisions of Accounting Standards Codification (ASC) 958, Not-for Profit Entities.

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposits, and all highly liquid debt instruments with original maturities of three months or less.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are carried at their estimated collectible amounts. The Organization’s accounts receivable are generally short-term in nature; thus accounts receivable do not bear interest.

Accounts receivable are periodically evaluated for collectibility based on past credit history with customers and their current financial condition. Provisions for losses on accounts receivable are determined on the basis of loss experience, known and inherent risks, and current economic conditions.

Inventory

Inventories are stated at wholesale catalog or internet prices.

Fixed Assets and Depreciation

Fixed assets are recorded at acquisition cost, or if donated, at the fair market value at the date donated. The Organization capitalizes additions that exceed \$1,000. Depreciation expense is provided on a straight-line basis over the following estimated useful lives of the respective assets, which range from five to ten years. Depreciation expense for the year ended December 31, 2010 was \$44,634.



### Organization Costs

Organization costs are recorded at cost and amortized equally over ten years. Amortization expense for the year ended December 31, 2010 was \$0.

### Classes of Net Assets

Revenues and gains are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

- a. Unrestricted net assets represent the portion of net assets not subject to donor restrictions.
- b. Temporarily restricted net assets arise from contributions that are restricted by the donor for specific purposes or time periods.
- c. Permanently restricted net assets arise from contributions that are restricted by the donor in perpetuity.

All contributions are considered available for unrestricted use, unless specifically restricted by the donors. All expenses are reported as changes in unrestricted net assets.

### Contributions

Unconditional promises to give are recognized as contributions when received at the net present value of the amounts expected to be collected. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

When a donor-imposed time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities and changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions are met in the same year the contribution is received are reported as unrestricted. Capital campaign contributions are considered temporarily restricted until the asset is placed into service.

### Estimates in the Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Income taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended December 31, 2010.

Concentrations of Credit Risks

The Organization maintains its cash balances at a bank. Accounts at that institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Of this amount, \$94,065 exceeded the FDIC insurance limit of \$250,000, and therefore was not insured. The Organization has not experienced any losses in such account and believes it is not exposed to any significant credit risk on cash.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fair Value of Financial Instruments

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at December 31, 2010, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

In-Kind Donations

Contributions of donated non-cash assets meet the requirements of ASC 958-605-25-16, *Contributions Received* and are, therefore, recorded at their wholesale value in the period received.

Contributed Services

The Organization receives services donated by individuals in carrying out its purpose. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under ASC 958-605-25-16, *Contributed Services*, Accounting for Contributions Received and Contributions Made.

Reclassifications

Certain items from December 31, 2009 have been reclassified to conform to the December 31, 2010 presentation.

**3. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of donations for specific purposes restricted by donors that have not been satisfied as of December 31, 2010. The Organization expects to satisfy the restrictions in the next fiscal year. The balance of temporarily restricted net assets as of December 31, 2010 was \$21,683.

**4. OPERATING LEASE COMMITMENTS**

The Organization entered into a lease agreement in May 2009. The lease agreement expires on June 30, 2010. The lease requires monthly payments of \$11,520. Future minimum operating lease payments are based on remaining terms of the agreements. The required future minimum lease payments are as follows.

<u>Year ending</u>	
12/31/2011	\$ 69,120
Thereafter	<u>          -</u>
	<u>\$ 69,120</u>

Total rent expense for the year ended December 31, 2010 was \$270,085. Of this amount, \$131,845 was an in-kind donation.

**5. RELATED-PARTY TRANSACTIONS**

The Organization paid Sante, Inc., which is a related party to a member of the board directors, \$50,000 for consulting services for the year ended December 31, 2010. The Organization also paid i4 Solutions, which is a related party to a member of the board of directors, \$1,688 for computer and website services.

The Organization received the following funding from National Product Sales, which is a related party to members of the board of directors, for the year ended December 31, 2010:

Donated office space	\$ 131,845
Donated benefits (health insurance)	\$ 20,992
Donated in-kind items	\$ 1,381,374
Product conversion income	\$ 63,804
Accounts receivable balance	\$ 700
Accounts payable balance	\$ 39,490

The board of directors for the Organization is comprised of more than 50% of the individuals that also make up the board of directors for Globous Financial Relief, a Utah based non-profit corporation. Also, an employee of Globus Relief donates his time to compile the books for Globous Financial Relief. The two organizations do not share an economic interest. Thus, the financial statements have not been consolidated. Effective October 2010, the individuals that were common between the two boards resigned from Globous Financial Relief and the employee of Globus Relief no longer compiles the books for Globous Financial Relief.

**6. SUBSEQUENT EVENTS**

In accordance with FASB ASC 855-50-1 *Date Through Which Subsequent Events Have Been Evaluated*, management has evaluated the accounts of the Company from December 31, 2010 through April 29, 2011, to determine whether there are any subsequent events that would have an impact on the financial statements that have not been properly disclosed. From their review, management has determined that there were no significant recognizable or unrecognizable subsequent events that were not properly disclosed.

**7. PRIOR YEAR INFORMATION**

The financial statements for the year ended December 31, 2009 are presented for comparative purposes only. The notes presented herein contain information relating to December 31, 2010 only. Please refer to the December 31, 2009 audited financial statements for information relating to the notes for the prior year.