

Globus Relief

Year Ended December 31, 2017

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, Utah

Financial Statements

We have audited the accompanying financial statements of Globus Relief (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Globus Relief's December 31, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 16, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Shaw & Co., P.C.

Bountiful, Utah
May 23, 2018

Globus Relief
Statement of Financial Position
December 31, 2017
With Comparative Totals For December 31, 2016

	<u>12/31/2017</u>	<u>12/31/2016</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,322,144	\$ 372,978
Accounts receivable	392,467	238,522
Inventory	39,581,312	58,566,573
Prepaid expenses	187,454	51,509
Investments	<u>9,482</u>	<u>6,942</u>
Total current assets	<u>41,492,859</u>	<u>59,236,524</u>
Property and equipment, at cost		
Equipment	286,656	283,631
Furniture	21,430	21,430
Software	<u>271,099</u>	<u>271,099</u>
Total property and equipment	579,185	576,160
Less: accumulated depreciation	<u>(514,401)</u>	<u>(456,422)</u>
Net property and equipment	<u>64,784</u>	<u>119,738</u>
Total assets	<u>\$ 41,557,643</u>	<u>\$ 59,356,262</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 136,765	\$ 160,184
Accrued liabilities	3,749	4,068
Accrued payroll	50,476	48,352
Customer deposits	<u>370,135</u>	<u>82,854</u>
Total current liabilities	<u>561,125</u>	<u>295,458</u>
Net assets		
Unrestricted	40,996,018	59,055,724
Temporarily restricted	500	5,080
Permanently restricted	<u>-</u>	<u>-</u>
Total net assets	<u>40,996,518</u>	<u>59,060,804</u>
Total liabilities and net assets	<u>\$ 41,557,643</u>	<u>\$ 59,356,262</u>

See accompanying notes to financial statements.

Globus Relief
Statement of Activities
Year Ended December 31, 2017
With Comparative Totals For The Year Ended December 31, 2016

	<u>12/31/2017</u>			<u>12/31/2016</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
SUPPORT AND REVENUES					
Support					
In-kind contributions	\$ 49,281,359	\$ -	\$ -	\$ 49,281,359	\$ 31,780,422
Contributions	528,838	-	-	528,838	72,324
Special projects contributions	34,000	-	-	34,000	10,000
Net assets released from restrictions	<u>4,580</u>	<u>(4,580)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support	<u>49,848,777</u>	<u>(4,580)</u>	<u>-</u>	<u>49,844,197</u>	<u>31,862,746</u>
Revenues					
Handling and processing	6,591,521	-	-	6,591,521	4,039,567
Product conversion	1,102,989	-	-	1,102,989	732,306
Miscellaneous	16,922	-	-	16,922	51,722
Interest	<u>1,740</u>	<u>-</u>	<u>-</u>	<u>1,740</u>	<u>262</u>
Total revenues	<u>7,713,172</u>	<u>-</u>	<u>-</u>	<u>7,713,172</u>	<u>4,823,857</u>
Total support and revenues	<u>57,561,949</u>	<u>(4,580)</u>	<u>-</u>	<u>57,557,369</u>	<u>36,686,603</u>
EXPENSES					
Program services	75,060,113	-	-	75,060,113	38,480,269
General and administrative	365,896	-	-	365,896	336,774
Development and fundraising	<u>195,646</u>	<u>-</u>	<u>-</u>	<u>195,646</u>	<u>176,830</u>
Total expenses	<u>75,621,655</u>	<u>-</u>	<u>-</u>	<u>75,621,655</u>	<u>38,993,873</u>
Change in net assets	(18,059,706)	(4,580)	-	(18,064,286)	(2,307,270)
Net assets, beginning of year	<u>59,055,724</u>	<u>5,080</u>	<u>-</u>	<u>59,060,804</u>	<u>61,368,074</u>
Net assets, end of year	<u>\$ 40,996,018</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 40,996,518</u>	<u>\$ 59,060,804</u>

See accompanying notes to financial statements.

Globus Relief
Statement of Functional Expenses
Year Ended December 31, 2017
With Comparative Totals For The Year Ended December 31, 2016

	12/31/2017				12/31/2016
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Development Fundraising</u>	<u>Total</u>	<u>Total</u>
Salaries and wages	\$ 933,925	\$ 81,100	\$ 121,249	\$ 1,136,274	\$ 1,104,172
Employee benefits	66,808	63,894	2,677	133,379	132,986
Payroll taxes	<u>63,926</u>	<u>6,443</u>	<u>8,406</u>	<u>78,775</u>	<u>74,904</u>
 Total salaries and related expenses	 1,064,659	 151,437	 132,332	 1,348,428	 1,312,062
In-kind contributions to others	68,352,003	-	-	68,352,003	33,875,543
Cost of goods sold	4,423,471	-	-	4,423,471	2,695,573
Freight	879,138	191	-	879,329	493,626
Occupancy	106,992	10,784	14,069	131,845	189,032
Travel	30,720	72,650	-	103,370	68,730
Bank and merchant fees	28,197	48,879	-	77,076	63,239
Contract service	28,736	3,766	41,443	73,945	65,995
Information technology	4,072	36,259	-	40,331	63,056
Grants	34,000	-	-	34,000	10,000
Insurance	11,503	16,416	-	27,919	24,766
Supplies	14,395	4,392	-	18,787	12,124
Equipment rentals	16,541	742	-	17,283	12,626
Communications	10,609	2,552	1,615	14,776	15,219
Professional fees	2,456	7,369	-	9,825	18,093
Meals and entertainment	1,780	4,592	-	6,372	5,174
License, dues, and fees	3,751	1,125	-	4,876	8,907
Advertising	40	-	-	40	-
Bad debt expense	-	-	-	-	98
 Total expenses before depreciation and amortization	 <u>75,013,063</u>	 <u>361,154</u>	 <u>189,459</u>	 <u>75,563,676</u>	 <u>38,933,863</u>
Depreciation and amortization	<u>47,050</u>	<u>4,742</u>	<u>6,187</u>	<u>57,979</u>	<u>60,010</u>
 Total expenses	 <u>\$ 75,060,113</u>	 <u>\$ 365,896</u>	 <u>\$ 195,646</u>	 <u>\$ 75,621,655</u>	 <u>\$ 38,993,873</u>

See accompanying notes to financial statements.

Globus Relief
Statement of Cash Flows
Year Ended December 31, 2017
With Comparative Totals For The Year Ended December 31, 2016

	<u>12/31/2017</u>	<u>12/31/2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (18,064,286)	\$ (2,307,270)
Adjustments to reconcile change in net assets to net cash provided by (used in) provided by operating activities:		
Depreciation and amortization	57,979	60,010
In-kind contributions of investments	(2,540)	(6,942)
Allowance for doubtful accounts	-	(100)
Non-cash change in inventory	18,985,261	1,890,658
Changes in current assets and liabilities:		
Accounts receivable	(153,945)	285,802
Prepaid expenses	(135,945)	(20,040)
Accounts payable	(23,419)	(101,334)
Accrued liabilities	(319)	(23,657)
Accrued payroll	2,124	3,821
Customer deposits	<u>287,281</u>	<u>28,649</u>
Net cash provided by (used in) operating activities	<u>952,191</u>	<u>(190,403)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(3,025)</u>	<u>(7,744)</u>
Net cash used in investing activities	<u>(3,025)</u>	<u>(7,744)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	949,166	(198,147)
Cash and cash equivalents, beginning of year	<u>372,978</u>	<u>571,125</u>
Cash and cash equivalents, end of year	<u>\$ 1,322,144</u>	<u>\$ 372,978</u>

SUPPLEMENTAL CASH FLOW INFORMATION

During the year ended December 31, 2017, the Organization received in-kind contributions totaling \$49,281,359. In-kind contributions consisted of inventory of \$49,146,974, donated use of facilities of \$131,845, and investments of \$2,540.

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, 2017

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. 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 assessment, partnership, and training. The Organization reduces unnecessary duplication of efforts among our partners and works to produce a synergistic environment that magnifies 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 Financial Accounting Standards Board (FASB) 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.

Date of Management’s Review

Subsequent events were evaluated through May 23, 2018, which is the date the financial statements were available to be issued. From their review, management has determined that there were no significant recognizable or unrecognizable subsequent events that were not properly disclosed.

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.

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.

Concentrations of Credit Risks

The Organization maintains its cash balances at banks. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2017, the Organization had \$799,683 in bank deposits that 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.

During the year ended December 31, 2017, the Organization received approximately 26% of its in-kind total revenue and support from one donor. At December 31, 2017, the Organization had approximately 70% of its accounts receivable due from one customer. At December 31, 2017, the Organization had approximately 78% of its accounts payable due to two vendors.

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 collectability 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

Inventory consists of humanitarian supplies, medical equipment and supplies, and pharmaceutical supplies. Inventory is accounted for at the lower of cost or market, using the specific identification method. For donated inventory items, cost represents the estimated fair market value of donated inventory on the date of donation.

Property and Equipment

Property and equipment 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. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation and amortization expense is provided on a straight-line basis over the estimated useful lives of the respective assets or lease terms, which range from five to seven years. Depreciation and amortization expense for the year ended December 31, 2017, was \$57,979.

Impairment of Long-Lived Assets

The Organization evaluates its long-lived assets for any events or changes in circumstances which indicate that the carrying amounts of the assets may not be fully recoverable. The Organization evaluates the recoverability of long-lived assets by measuring the carrying amounts of the assets against the estimated undiscounted future cash flows associated with them. When future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying amounts of the assets, the assets are adjusted to their fair values.

Investments

The Organization has adopted the provisions of FASB ASC 958-320, *Investments—Debt and Equity Securities*. Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

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, 2017, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

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. Contributions with donor-imposed restrictions that are met in the current reporting period are reported as unrestricted contributions. Capital campaign contributions are considered temporarily restricted until the assets are placed in service.

In-Kind Contributions

In-kind contributions are recorded as support at their estimated fair market value at the date of gift. These contributions are reported as unrestricted support unless the donor has restricted the donation for a specific purpose. Assets donated with explicit restrictions regarding their use are reported as temporarily restricted support and reclassified to unrestricted net assets when placed in service. In-kind contributions received during the year ended December 31, 2017 consisted of the following:

Inventory	\$ 49,146,974
Use of facilities	131,845
Investments	<u>2,540</u>
	<u>\$ 49,281,359</u>

In accordance with FASB ASC 958-605-25-16, Contributed Services, the Organization recognizes contributed services only if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. There were no contributed services recognized during the year ended December 31, 2017.

Revenue and Revenue Recognition

Program service revenue consists of handling and processing fees, product conversion income, and other income. Program service revenue is recognized when earned. Payments received in advance, if any, are deferred to the applicable period in which the related goods or services are provided.

Freight and Shipping

Freight and shipping costs are expensed when incurred.

Advertising

Advertising costs are expensed when the advertising first takes place. Advertising expense for the year ended December 31, 2017 was \$40.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 tax for the year ended December 31, 2017.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending December 31, 2017, 2016, 2015, and 2014 are subject to examination by the IRS, generally for three years after they were filed. Generally accepted accounting principles require tax effects from an uncertain tax position to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. If an uncertain tax position meets the more-likely-than-not threshold, the largest amount of tax benefit that is greater than 50% likely to be recognized upon ultimate settlement with the taxing authority is recorded. The Organization's primary tax positions relate to its status as a not-for-profit entity exempt from income taxes and classification of activities related to its exempt purpose. Management has evaluated the tax positions reflected in the Organization's tax filings and does not believe that any material uncertain tax positions exist.

Reclassifications

Certain items from December 31, 2016 have been reclassified to conform to the December 31, 2017 presentation.

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of \$392,467 in trade receivables. Accounts receivable are expected to be collected in full in less than one year. Therefore, management has determined that there is no allowance necessary.

4. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
Level 2	<p>Inputs to the valuation methodology include</p> <ul style="list-style-type: none"> • quoted prices for similar assets or liabilities in active markets; • quoted prices for identical or similar assets or liabilities in inactive markets; • inputs other than quoted prices that are observable for the asset or liability; • inputs that are derived principally from or corroborated by observable market data by correlation or other means <p>If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.</p>
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Level 1

Mutual funds: Valued based on quoted NAV of the shares held by the Organization at year-end. The values of underlying common stocks, corporate bonds, and U.S. Government securities are based on the closing price reported on the active market where the individual securities are traded.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value at December 31, 2017:

Assets at Fair Value as of December 31, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity mutual funds	\$ 9,482	\$ -	\$ -	\$ 9,482
Total investments	<u>\$ 9,482</u>	<u>-</u>	<u>-</u>	<u>\$ 9,482</u>

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2017:

Purpose restrictions	
Breast cancer project	\$ 500
	<u>\$ 500</u>

6. RELATED-PARTY TRANSACTIONS

During the year ended December 31, 2017, the Organization was involved in certain related-party transactions with National Product Sales, a company in which two members of the board of directors maintain an ownership interest. These transactions included the following:

In-kind contributions:	
Inventory	\$ 1,800,746
Use of facilities	<u>131,845</u>
	<u>\$ 1,932,591</u>

7. COMMITMENTS AND CONTINGENCIES

The Organization may be involved in certain claims arising from the ordinary course of operations, and has purchased insurance policies to cover these risks.

8. PRIOR YEAR INFORMATION

The accompanying financial statements include certain prior year (2016) summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles in the United States of America. The financial statements for the year ended December 31, 2016 are presented for comparative purposes only. The notes presented herein contain information relating to December 31, 2017 only. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016 from which the summarized information was derived.