

Globus Relief

Year Ended December 31, 2007

Financial Statements

And

Independent Auditor's Report



Globus Relief

Table of Contents

Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6

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, 2007, 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, 2006 consolidated financial statements and, in our report dated March 7, 2007, we expressed an unqualified opinion on those consolidated 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 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, 2007, 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
March 8, 2008

Globus Relief
Statement of Financial Position
December 31, 2007
With Comparative Totals For December 31, 2006

	<u>12/31/2007</u>	<u>12/31/2006</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 806,198	\$ 746,727
Accounts receivable	229,396	85,014
Inventories	6,063,323	4,848,813
Prepaid expenses	<u>19,285</u>	<u>12,487</u>
Total current assets	<u>7,118,202</u>	<u>5,693,041</u>
Fixed assets, at cost		
Equipment	357,046	324,225
Furniture	27,310	27,310
Software	<u>258,871</u>	<u>242,971</u>
	643,227	594,506
Less accumulated depreciation	<u>(469,297)</u>	<u>(406,688)</u>
Net fixed assets	<u>173,930</u>	<u>187,818</u>
Organization costs	8,511	8,511
Less accumulated amortization	<u>(8,511)</u>	<u>(8,085)</u>
Net organization costs	<u>-</u>	<u>426</u>
Total assets	<u>\$ 7,292,132</u>	<u>\$ 5,881,285</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 35,376	\$ 21,316
Accrued liabilities	<u>90,677</u>	<u>27,337</u>
Total current liabilities	<u>126,053</u>	<u>48,653</u>
Net assets		
Unrestricted	7,124,593	5,729,241
Temporarily restricted	41,486	103,391
Permanently restricted	<u>-</u>	<u>-</u>
Total net assets	<u>7,166,079</u>	<u>5,832,632</u>
Total liabilities and net assets	<u>\$ 7,292,132</u>	<u>\$ 5,881,285</u>

See accompanying notes to financial statements.

Globus Relief
Statement of Activities
Year Ended December 31, 2007
With Comparative Totals For The Year Ended December 31, 2006

	December 31, 2007				12/31/2006 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	12/31/2007 Total	
SUPPORT AND REVENUES					
Support					
In-kind donations	\$ 22,728,467	\$ -	\$ -	\$ 22,728,467	\$ 24,777,892
Contributions	292,882	41,486	-	334,368	402,147
Donated rent and other operating costs	209,946	-	-	209,946	209,946
Special projects donations	467,416	-	-	467,416	442,259
Net assets released from restrictions	103,391	(103,391)	-	-	-
Total support	<u>23,802,102</u>	<u>(61,905)</u>	<u>-</u>	<u>23,740,197</u>	<u>25,832,244</u>
Revenues					
Handling and processing fees	1,130,750	-	-	1,130,750	684,808
Product conversion income	474,362	-	-	474,362	354,178
Miscellaneous income	46,511	-	-	46,511	55,971
Interest income	22,956	-	-	22,956	15,620
Total revenues	<u>1,674,579</u>	<u>-</u>	<u>-</u>	<u>1,674,579</u>	<u>1,110,577</u>
Total support and revenues	<u>25,476,681</u>	<u>(61,905)</u>	<u>-</u>	<u>25,414,776</u>	<u>26,942,821</u>
EXPENSES					
Program services	23,413,087	-	-	23,413,087	25,642,364
General and administrative	275,797	-	-	275,797	204,932
Development and fundraising	392,445	-	-	392,445	208,443
Total expenses	<u>24,081,329</u>	<u>-</u>	<u>-</u>	<u>24,081,329</u>	<u>26,055,739</u>
Change in net assets	1,395,352	(61,905)	-	1,333,447	887,082
Net assets, beginning of year	5,729,241	103,391	-	5,832,632	4,945,550
Net assets, end of year	<u>\$ 7,124,593</u>	<u>\$ 41,486</u>	<u>\$ -</u>	<u>\$ 7,166,079</u>	<u>\$ 5,832,632</u>

See accompanying notes to financial statements.

Globus Relief
Statement of Functional Expenses
Year Ended December 31, 2007
With Comparative Totals For The Year Ended December 31, 2006

	December 31, 2007				
	Program Services	General and Administrative	Development Fundraising	12/31/2007 Total	12/31/2006 Total
Salaries and wages	\$ 574,273	\$ 127,968	\$ 200,847	\$ 903,088	\$ 758,062
Employee benefits	71,617	15,959	25,048	112,624	117,950
Payroll taxes	50,214	11,189	17,562	78,965	55,051
Total salaries, payroll taxes and benefits	696,104	155,116	243,457	1,094,677	931,063
Donations in-kind	21,523,434	-	-	21,523,434	24,069,038
Product acquisition costs	504,211	-	-	504,211	167,889
Special projects expenses	468,729	-	-	468,729	438,294
Rent	92,291	19,777	19,777	131,845	131,845
Contract services	19,941	26,937	15,520	62,398	42,249
Miscellaneous	865	-	44,818	45,683	5,080
Freight/shipping	39,551	1,330	1,961	42,842	52,248
Insurance	2,822	30,421	-	33,243	29,019
Travel	-	-	27,151	27,151	7,444
Telephone	6,160	3,646	2,966	12,772	9,933
License and permits	-	331	11,342	11,673	13,169
Professional fees	-	11,112	-	11,112	8,109
Equipment rentals	-	5,082	4,420	9,502	5,362
Supplies	3,732	3,234	-	6,966	5,395
Bank service charges	-	5,471	-	5,471	3,362
Meals and entertainment	-	-	5,463	5,463	2,312
Dues and subscriptions	3,664	1,475	136	5,275	2,916
Automobile Expense	3,458	-	729	4,187	4,586
Advertising/development	-	502	3,570	4,072	13,459
Donations and contributions	4,000	-	-	4,000	-
Printing	-	-	1,680	1,680	13,197
Repairs and maintenance	-	1,655	-	1,655	2,510
Office expense	-	253	-	253	389
Bad debt expense	-	-	-	-	27,895
Total expenses before depreciation	23,368,962	266,342	382,990	24,018,294	25,986,763
Depreciation and amortization	44,125	9,455	9,455	63,035	68,976
Total expenses	<u>\$ 23,413,087</u>	<u>\$ 275,797</u>	<u>\$ 392,445</u>	<u>\$ 24,081,329</u>	<u>\$ 26,055,739</u>

See accompanying notes to financial statements.

Globus Relief
Statement of Cash Flows
Year Ended December 31, 2007
With Comparative Totals For The Year Ended December 31, 2006

	<u>12/31/2007</u>	<u>12/31/2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,333,447	\$ 887,082
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	63,035	68,976
Allowance for doubtful accounts	-	(15,000)
Non-cash change in inventory	(1,214,510)	(710,832)
Changes in current assets and liabilities:		
Accounts receivable	(144,383)	15,549
Prepaid expenses	(6,799)	555
Accounts payable	14,060	21,247
Accrued liabilities	<u>63,342</u>	<u>(61,653)</u>
Net cash provided by operating activities	<u>108,192</u>	<u>205,924</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	<u>(48,721)</u>	<u>(24,942)</u>
Net cash (used in) investing activities	<u>(48,721)</u>	<u>(24,942)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
Net change in cash	59,471	180,982
Cash and cash equivalents, beginning of year	<u>746,727</u>	<u>565,745</u>
Cash and cash equivalents, end of year	<u>\$ 806,198</u>	<u>\$ 746,727</u>

SUPPLEMENTAL CASH FLOW INFORMATION

During the year ended December 31, 2007, the Organization received non-cash contributions in the amount of \$22,739,100. Facility rent of \$131,845 and health insurance of \$68,623 were donated during the year ended December

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

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

See accompanying notes to financial statements.

Globus Relief
Notes to Financial Statements
December 31, 2007

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 purpose is to improve the delivery of healthcare to the world's poor by gathering, processing, and distributing medical, health, and other humanitarian supplies to charitable organizations serving the needy at home and abroad, without regard to race, religion, or political persuasion.

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

This summary of significant accounting policies of Globus Relief is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

The financial statements of the Organization have been prepared on the accrual basis. The Organization follows the provisions of Statements of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations" and SFAS No. 116, "Accounting for Contributions Received and Contributions Made."

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 3 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, 2007 was \$62,609.

Organization Costs

Organization costs are recorded at cost and amortized equally over ten years. Amortization expense for the year ended December 31, 2007 was \$426.

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 revenue when the underlying promises are received by the Organization. Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

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, 2007.

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 \$100,000. At December 31, 2007, the Organization had \$775,206 in bank deposits. Of this amount, \$675,206 exceeded the FDIC insurance limit of \$100,000, 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, 2007, 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 SFAS No. 116 and are, therefore, recorded at their wholesale 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 SFAS No. 116, Accounting for Contributions Received and Contributions Made.

Reclassifications

Certain items from December 31, 2006 have been reclassified to conform to the December 31, 2007 presentation.

3. RELATED-PARTY TRANSACTIONS

The Organization received the following funding from members of the board of directors and companies owned by members of the board of directors for the year ended December 31, 2007:

Cash donations	\$	50,000
Donated office space	\$	131,845
Donated benefits (health insurance)	\$	68,623
Donated in-kind items	\$	1,529,144
Product conversion income	\$	350,670

The Organization has an accounts receivable balance of \$130,254 and an accounts payable balance of \$6,766 from a company owned by a member of the board of directors as of the year end December 31, 2007.

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.

4. PRIOR YEAR INFORMATION

The financial statements for the year ended December 31, 2006 are presented for comparative purposes only. The notes presented herein contain information relating to December 31, 2007 only. Please refer to the December 31, 2006 audited financial statements for information relating to the notes for the prior year.