

**Globus Relief**

**Year Ended December 31, 2006**

**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, 2006, 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, 2005 consolidated financial statements and, in our report dated March 29, 2006, 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, 2006, 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 7, 2007

**Globus Relief**  
**Statement of Financial Position**  
**December 31, 2006**  
**With Comparative Totals For December 31, 2005**

	<u>12/31/2006</u>	<u>12/31/2005</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 746,727	\$ 565,745
Accounts receivable	85,014	100,563
Allowance for doubtful accounts	-	(15,000)
Inventories	4,848,813	4,137,981
Prepaid expenses	<u>12,487</u>	<u>13,042</u>
Total current assets	<u>5,693,041</u>	<u>4,802,331</u>
Fixed assets, at cost		
Equipment	324,225	316,521
Furniture	27,310	27,310
Software	<u>242,971</u>	<u>225,733</u>
	594,506	569,564
Less accumulated depreciation	<u>(406,688)</u>	<u>(338,563)</u>
Net fixed assets	<u>187,818</u>	<u>231,001</u>
Organization costs		
Less accumulated amortization	<u>(8,085)</u>	<u>(7,234)</u>
Net organization costs	<u>426</u>	<u>1,277</u>
Total assets	<u>\$ 5,881,285</u>	<u>\$ 5,034,609</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 21,316	\$ 69
Accrued liabilities	<u>27,337</u>	<u>88,990</u>
Total current liabilities	<u>48,653</u>	<u>89,059</u>
Net assets		
Unrestricted	5,729,241	4,945,550
Temporarily restricted	103,391	-
Permanently restricted	<u>-</u>	<u>-</u>
Total net assets	<u>5,832,632</u>	<u>4,945,550</u>
Total liabilities and net assets	<u>\$ 5,881,285</u>	<u>\$ 5,034,609</u>

See accompanying notes to financial statements.

**Globus Relief**  
**Statement of Activities**  
**Year Ended December 31, 2006**  
**With Comparative Totals For The Year Ended December 31, 2005**

	December 31, 2006			12/31/2006 Total	12/31/2005 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>SUPPORT AND REVENUES</b>					
<b>Support</b>					
In-kind donations	\$ 24,777,892	\$ -	\$ -	\$ 24,777,892	\$ 20,922,303
Contributions	298,756	103,391	-	402,147	397,257
Donated rent and other operating costs	209,946	-	-	209,946	209,946
Special projects donations	442,259	-	-	442,259	103,135
<b>Total support</b>	<b>25,728,853</b>	<b>103,391</b>	<b>-</b>	<b>25,832,244</b>	<b>21,632,641</b>
<b>Revenues</b>					
Handling and processing fees	684,808	-	-	684,808	816,325
Product conversion income	354,178	-	-	354,178	269,702
Miscellaneous income	55,971	-	-	55,971	54,087
Interest income	15,620	-	-	15,620	2,482
<b>Total revenues</b>	<b>1,110,577</b>	<b>-</b>	<b>-</b>	<b>1,110,577</b>	<b>1,142,596</b>
<b>Total support and revenues</b>	<b>26,839,430</b>	<b>103,391</b>	<b>-</b>	<b>26,942,821</b>	<b>22,775,237</b>
<b>EXPENSES</b>					
Program services	25,511,924	-	-	25,511,924	22,226,530
General and administrative	260,082	-	-	260,082	204,932
Development and fundraising	283,733	-	-	283,733	208,443
<b>Total expenses</b>	<b>26,055,739</b>	<b>-</b>	<b>-</b>	<b>26,055,739</b>	<b>22,639,905</b>
Change in net assets	783,691	103,391	-	887,082	135,332
Net assets, beginning of year	4,945,550	-	-	4,945,550	4,810,218
Net assets, end of year	<u>\$ 5,729,241</u>	<u>\$ 103,391</u>	<u>\$ -</u>	<u>\$ 5,832,632</u>	<u>\$ 4,945,550</u>

See accompanying notes to financial statements.

**Globus Relief**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2006**  
**With Comparative Totals For The Year Ended December 31, 2005**

	December 31, 2006				
	Program Services	General and Administrative	Development Fundraising	12/31/2006 Total	12/31/2005 Total
Salaries and wages	\$ 482,052	\$ 107,417	\$ 168,593	\$ 758,062	\$ 628,680
Employee benefits	75,004	16,714	26,232	117,950	87,388
Payroll taxes	35,007	7,801	12,243	55,051	48,550
 Total salaries, payroll taxes and benefits	 592,063	 131,932	 207,068	 931,063	 764,618
Donations in-kind	24,069,038	-	-	24,069,038	21,124,834
Special projects expenses	438,294	-	-	438,294	68,289
Product acquisition costs	167,889	-	-	167,889	238,299
Rent	92,291	19,777	19,777	131,845	131,845
Freight/shipping	50,305	1,512	431	52,248	97,087
Contract services	9,917	32,332	-	42,249	41,642
Insurance	2,925	26,094	-	29,019	25,063
Bad debt expense	27,895	-	-	27,895	15,000
Printing	-	-	13,197	13,197	5,465
Advertising/development	-	7,084	6,375	13,459	6,388
License and permits	-	258	12,911	13,169	10,329
Telephone	4,624	2,895	2,414	9,933	8,079
Professional fees	-	8,109	-	8,109	4,545
Travel	-	-	7,444	7,444	5,022
Equipment rentals	-	6,100	-	6,100	11,221
Miscellaneous	-	3,951	1,129	5,080	1,595
Automobile Expense	4,586	-	-	4,586	5,399
Supplies	3,024	2,371	-	5,395	7,393
Bank service charges	-	3,362	-	3,362	2,264
Dues and subscriptions	-	2,916	-	2,916	1,325
Meals and entertainment	-	-	2,312	2,312	990
Repairs and maintenance	789	654	329	1,772	13,619
Office expense	-	389	-	389	330
Donations and contributions	-	-	-	-	2,500
 Total expenses before depreciation	 25,463,640	 249,736	 273,387	 25,986,763	 22,593,141
Depreciation and amortization	48,284	10,346	10,346	68,976	46,764
 Total expenses	 <u>\$ 25,511,924</u>	 <u>\$ 260,082</u>	 <u>\$ 283,733</u>	 <u>\$ 26,055,739</u>	 <u>\$ 22,639,905</u>

See accompanying notes to financial statements.

**Globus Relief**  
**Statement of Cash Flows**  
**Year Ended December 31, 2006**  
**With Comparative Totals For The Year Ended December 31, 2005**

	<u>12/31/2006</u>	<u>12/31/2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 887,082	\$ 135,332
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	68,976	46,764
Allowance for doubtful accounts	(15,000)	15,000
Non-cash change in inventory	(710,832)	291,264
Non-cash donation of fixed assets	-	(64,801)
Changes in current assets and liabilities:		
Accounts receivable	15,549	(39,298)
Prepaid expenses	555	(5,760)
Accounts payable	21,247	(4,331)
Accrued liabilities	<u>(61,653)</u>	<u>65,408</u>
Net cash provided by operating activities	<u>205,924</u>	<u>439,578</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	<u>(24,942)</u>	<u>(20,380)</u>
Net cash (used in) investing activities	<u>(24,942)</u>	<u>(20,380)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>
Net change in cash	180,982	419,198
Cash and cash equivalents, beginning of year	<u>565,745</u>	<u>146,547</u>
Cash and cash equivalents, end of year	<u>\$ 746,727</u>	<u>\$ 565,745</u>

**SUPPLEMENTAL CASH FLOW INFORMATION**

During the year ended December 31, 2006, the Organization received non-cash contributions in the amount of \$24,855,993. Facility rent of \$131,845 was donated during the year ended December 31, 2006.

**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, 2006**

**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, 2006 was \$68,125.



### Organization Costs

Organization costs are recorded at cost and amortized equally over ten years. Amortization expense for the year ended December 31, 2006 was \$851.

### 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, 2006.

### 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, 2006, the Organization had \$752,448 in bank deposits. Of this amount, \$652,448 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, 2006, 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, 2005 have been reclassified to conform to the December 31, 2006 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, 2006:

Cash donations	\$	115,000
Donated office space	\$	131,845
Donated benefits (health insurance)	\$	78,101
Donated in-kind items	\$	1,525,459
Product conversion income	\$	109,813

**4. PRIOR YEAR INFORMATION**

The financial statements for the year ended December 31, 2005 are presented for comparative purposes only. The notes presented herein contain information relating to December 31, 2006 only. Please refer to the December 31, 2005 audited financial statements for information relating to the notes for the prior year.