

Globus Relief

Year Ended December 31, 2015

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, 2015, 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, 2015, 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, 2014 financial statements, and our report dated May 15, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Shaw & Co PC

Bountiful, Utah
April 29, 2016

Globus Relief
Statement of Financial Position
December 31, 2015
With Comparative Totals For December 31, 2014

	<u>12/31/2015</u>	<u>12/31/2014</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 571,125	\$ 585,503
Accounts receivable	524,324	363,260
Allowance for doubtful accounts	(100)	(20,000)
Inventories	60,457,231	35,375,606
Prepaid expenses	<u>31,469</u>	<u>40,843</u>
Total current assets	<u>61,584,049</u>	<u>36,345,212</u>
Fixed assets, at cost:		
Equipment	392,825	388,666
Furniture	21,430	21,430
Software	<u>353,984</u>	<u>353,984</u>
Total fixed assets	768,239	764,080
Less: accumulated depreciation	<u>(596,235)</u>	<u>(532,650)</u>
Net fixed assets	<u>172,004</u>	<u>231,430</u>
Total assets	<u>\$ 61,756,053</u>	<u>\$ 36,576,642</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 260,235	\$ 108,186
Accrued liabilities	<u>127,744</u>	<u>236,997</u>
Total current liabilities	<u>387,979</u>	<u>345,183</u>
Net assets:		
Unrestricted	61,348,454	36,163,936
Temporarily restricted	19,620	67,523
Permanently restricted	<u>-</u>	<u>-</u>
Total net assets	<u>61,368,074</u>	<u>36,231,459</u>
Total liabilities and net assets	<u>\$ 61,756,053</u>	<u>\$ 36,576,642</u>

See accompanying notes to financial statements.

Globus Relief
Statement of Activities
Year Ended December 31, 2015
With Comparative Totals For The Year Ended December 31, 2014

	<u>12/31/2015</u>			<u>12/31/2014</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
SUPPORT AND REVENUES					
Support:					
In-kind donations	\$ 63,745,260	\$ -	\$ -	\$ 63,745,260	\$ 47,369,634
Contributions	110,561	14,704	-	125,265	177,434
Donated rent and other operating costs	131,845	-	-	131,845	131,845
Special projects donations	34,705	-	-	34,705	20,000
Gain on disposal of fixed assets	-	-	-	-	11,190
Net assets released from restrictions	<u>62,607</u>	<u>(62,607)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support	<u>64,084,978</u>	<u>(47,903)</u>	<u>-</u>	<u>64,037,075</u>	<u>47,710,103</u>
Revenues:					
Handling and processing fees	1,934,427	-	-	1,934,427	1,551,296
Product conversion income	1,033,880	-	-	1,033,880	1,628,938
Miscellaneous income	3,218	-	-	3,218	16,589
Interest income	320	-	-	320	374
Unrealized gains (losses) on investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(279)</u>
Total revenues	<u>2,971,845</u>	<u>-</u>	<u>-</u>	<u>2,971,845</u>	<u>3,196,918</u>
Total support and revenues	<u>67,056,823</u>	<u>(47,903)</u>	<u>-</u>	<u>67,008,920</u>	<u>50,907,021</u>
EXPENSES					
Program services	41,337,217	-	-	41,337,217	25,622,513
General and administrative	387,489	-	-	387,489	424,024
Development and fundraising	<u>147,599</u>	<u>-</u>	<u>-</u>	<u>147,599</u>	<u>100,814</u>
Total expenses	<u>41,872,305</u>	<u>-</u>	<u>-</u>	<u>41,872,305</u>	<u>26,147,351</u>
Change in net assets	25,184,518	(47,903)	-	25,136,615	24,759,670
Net assets, beginning of year	<u>36,163,936</u>	<u>67,523</u>	<u>-</u>	<u>36,231,459</u>	<u>11,471,789</u>
Net assets, end of year	<u>\$ 61,348,454</u>	<u>\$ 19,620</u>	<u>\$ -</u>	<u>\$ 61,368,074</u>	<u>\$ 36,231,459</u>

See accompanying notes to financial statements.

Globus Relief
Statement of Functional Expenses
Year Ended December 31, 2015
With Comparative Totals For The Year Ended December 31, 2014

	12/31/2015				12/31/2014 Total
	Program Services	General and Administrative	Development Fundraising	Total	
Salaries and wages	\$ 935,859	\$ 148,763	\$ 100,123	\$ 1,184,745	\$ 1,271,486
Employee benefits	108,548	32,541	21,901	162,990	166,985
Payroll taxes	65,424	10,400	6,999	82,823	93,908
 Total salaries, payroll taxes and benefits	 1,109,831	 191,704	 129,023	 1,430,558	 1,532,379
Donations in-kind	38,663,636	-	-	38,663,636	22,922,565
Freight/shipping	520,776	241	-	521,017	471,124
Product acquisition costs	419,877	-	-	419,877	344,138
Rent	311,308	16,555	11,142	339,005	311,919
Travel	34,221	51,174	-	85,395	56,405
Contract services	58,136	1,522	-	59,658	95,481
Computer expense	18,811	27,472	-	46,283	90,413
Service fees - internet	-	42,820	-	42,820	52,121
Special projects expenses	34,705	-	-	34,705	20,000
Bank service charges	23,348	7,430	-	30,778	36,387
Insurance	11,246	15,655	-	26,901	25,589
Telephone	16,644	3,200	2,060	21,904	22,959
Equipment rentals	20,116	-	-	20,116	7,191
Supplies	18,533	923	-	19,456	27,704
Professional fees	3,551	10,874	-	14,425	17,984
Dues and subscriptions	7,937	2,961	-	10,898	12,531
Repairs and maintenance	5,174	1,955	-	7,129	492
Meals and entertainment	948	3,905	-	4,853	4,973
Bad debt expense	-	138	-	138	19,515
Automobile expense	3,586	817	-	4,403	10,205
Service fees	4,228	-	-	4,228	1,969
License and permits	378	159	-	537	1,021
Printing	-	-	-	-	583
 Total expenses before depreciation	 41,286,990	 379,505	 142,225	 41,808,720	 26,085,648
Depreciation and amortization	50,227	7,984	5,374	63,585	61,703
 Total expenses	 <u>\$ 41,337,217</u>	 <u>\$ 387,489</u>	 <u>\$ 147,599</u>	 <u>\$ 41,872,305</u>	 <u>\$ 26,147,351</u>

See accompanying notes to financial statements.

Globus Relief
Statement of Cash Flows
Year Ended December 31, 2015
With Comparative Totals For The Year Ended December 31, 2014

	<u>12/31/2015</u>	<u>12/31/2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 25,136,615	\$ 24,759,670
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	63,585	61,703
Allowance for doubtful accounts	(19,900)	9,552
Non-cash change in inventory	(25,081,625)	(24,734,112)
Changes in current assets and liabilities:		
Accounts receivable	(161,064)	761,412
Prepaid expenses	9,374	11,646
Deposit on software	-	198,410
Accounts payable	152,049	(755,051)
Accrued liabilities	<u>(109,253)</u>	<u>26,592</u>
Net cash (used in) provided by operating activities	<u>(10,219)</u>	<u>339,822</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Cash purchases of fixed assets	<u>(4,159)</u>	<u>(246,003)</u>
Net cash used in investing activities	<u>(4,159)</u>	<u>(246,003)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	(14,378)	93,819
Cash and cash equivalents, beginning of year	<u>585,503</u>	<u>491,684</u>
Cash and cash equivalents, end of year	<u>\$ 571,125</u>	<u>\$ 585,503</u>

SUPPLEMENTAL CASH FLOW INFORMATION

During the year ended December 31, 2015, the Organization received non-cash contributions in the amount of \$63,745,260. During the year ended December 31, 2015, the Organization also received donated facility rent of \$131,845.

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, 2015

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.

Date of Management’s Review

Subsequent events were evaluated through April 29, 2016, 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.

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

Inventories are stated at wholesale catalog or wholesale internet prices. Inventory consists of humanitarian supplies, medical equipment and supplies, and pharmaceutical supplies.

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, 2015 was \$63,585.

The Organization reviews long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, as measured by a comparison of estimated future cash flows (undiscounted and without interest charges) to the carrying value of the asset. Assets held for sale are written down to their fair value, less cost to sell.

Organization Costs

Organization costs are recorded at cost and amortized equally over ten years. Amortization expense for the year ended December 31, 2015 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.

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, 2015.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending December 31, 2015, 2014, 2013, and 2012 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.

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, 2015, the Organization had \$343,648 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.

For the year ended December 31, 2015, the Organization received approximately 68% of its in-kind revenue from one donor.

At December 31, 2015, the Organization has approximately 85% of its accounts receivable that is from one customer.

At December 31, 2015, the Organization has approximately 83% of its accounts payable to two vendors.

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, 2015, 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.

Freight and Shipping

Freight and shipping costs are expensed when incurred.

Reclassifications

Certain items from December 31, 2014 have been reclassified to conform to the December 31, 2015 presentation.

3. LINE OF CREDIT

The Organization has a line of credit with a financial institution in the amount of \$300,000. The line bears interest at 5%. The line of credit expires on October 5, 2015. At December 31, 2015, the amount outstanding on the line of credit was zero.

4. 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, 2015. The Organization expects to satisfy the restrictions in the next fiscal year. The balance of temporarily restricted net assets as of December 31, 2015 was \$19,620.

5. RELATED-PARTY TRANSACTIONS

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, 2015:

Donated office/warehouse space	\$ 131,845
Donated in-kind items	\$ 1,467,505
Accounts payable balance	\$ 1,092

6. OPERATING LEASE COMMITMENTS

The Organization has an operating lease for some of its warehouse space. The term of the lease was extended for an additional 30 months beginning July 1, 2014, and will end on December 31, 2016 (unless sooner terminated as provided in the lease). It requires monthly payments of \$16,157. Future minimum lease payments required under the lease agreement are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2016	<u>\$ 193,882</u>
	<u>\$ 193,882</u>

Total rent expense for the year ended December 31, 2015 was \$339,005. Of this amount, \$131,845 was an in-kind donation.

7. PRIOR YEAR INFORMATION

The accompanying financial statements include certain prior year (2014) 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, 2014 are presented for comparative purposes only. The notes presented herein contain information relating to December 31, 2015 only. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2014 from which the summarized information was derived.