

**Globus Relief**

**Year Ended December 31, 2011**

**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, 2011, 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, 2010 financial statements and, in our report dated April 29, 2011, 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, 2011, 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  
June 12, 2012

**Globus Relief**  
**Statement of Financial Position**  
**December 31, 2011**  
**With Comparative Totals For December 31, 2010**

	<u>12/31/2011</u>	<u>12/31/2010</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 293,145	\$ 437,880
Accounts receivable	216,407	160,098
Allowance for doubtful accounts	(9,700)	(11,740)
Inventories	59,974,842	28,795,877
Prepaid expenses	<u>28,855</u>	<u>35,550</u>
Total current assets	<u>60,503,549</u>	<u>29,417,665</u>
Fixed assets, at cost		
Equipment	354,226	351,891
Furniture	21,430	21,430
Software	<u>133,036</u>	<u>132,036</u>
Total fixed assets	508,692	505,357
Less accumulated depreciation	<u>(473,748)</u>	<u>(440,297)</u>
Net fixed assets	<u>34,944</u>	<u>65,060</u>
Deposit on software	<u>147,431</u>	<u>79,674</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>\$ 60,685,924</u>	<u>\$ 29,562,399</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 117,504	\$ 70,302
Accrued liabilities	<u>62,662</u>	<u>59,848</u>
Total current liabilities	<u>180,166</u>	<u>130,150</u>
Net assets		
Unrestricted	60,493,695	29,409,347
Temporarily restricted	12,063	22,902
Permanently restricted	<u>-</u>	<u>-</u>
Total net assets	<u>60,505,758</u>	<u>29,432,249</u>
Total liabilities and net assets	<u>\$ 60,685,924</u>	<u>\$ 29,562,399</u>

See accompanying notes to financial statements.

**Globus Relief**  
**Statement of Activities**  
**Year Ended December 31, 2011**  
**With Comparative Totals For The Year Ended December 31, 2010**

	<u>12/31/2011</u>			<u>12/31/2010</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>		<u>Total</u>
<b>SUPPORT AND REVENUES</b>					
<b>Support</b>					
In-kind donations	\$ 104,545,934	\$ -	\$ -	\$ 104,545,934	\$ 82,561,835
Contributions	233,707	3,092	-	236,799	100,653
Donated rent and other operating costs	131,845	-	-	131,845	152,837
Special projects donations	35,866	5,000	-	40,866	45,130
Net assets released from restrictions	18,931	(18,931)	-	-	-
<b>Total support</b>	<u>104,966,283</u>	<u>(10,839)</u>	<u>-</u>	<u>104,955,444</u>	<u>82,860,455</u>
<b>Revenues</b>					
Handling and processing fees	1,135,257	-	-	1,135,257	1,556,874
Product conversion income	999,909	-	-	999,909	738,082
Product conversion income - freight recovery	80,113	-	-	80,113	66,651
Miscellaneous income	13,667	-	-	13,667	8,338
Interest income	834	-	-	834	2,601
<b>Total revenues</b>	<u>2,229,780</u>	<u>-</u>	<u>-</u>	<u>2,229,780</u>	<u>2,372,546</u>
<b>Total support and revenues</b>	<u>107,196,063</u>	<u>(10,839)</u>	<u>-</u>	<u>107,185,224</u>	<u>85,233,001</u>
<b>EXPENSES</b>					
Program services	75,727,730	-	-	75,727,730	66,677,080
General and administrative	309,133	-	-	309,133	270,478
Development and fundraising	74,852	-	-	74,852	131,674
<b>Total expenses</b>	<u>76,111,715</u>	<u>-</u>	<u>-</u>	<u>76,111,715</u>	<u>67,079,232</u>
Change in net assets	31,084,348	(10,839)	-	31,073,509	18,153,769
Net assets, beginning of year	29,409,347	22,902	-	29,432,249	11,278,480
Net assets, end of year	<u>\$ 60,493,695</u>	<u>\$ 12,063</u>	<u>\$ -</u>	<u>\$ 60,505,758</u>	<u>\$ 29,432,249</u>

See accompanying notes to financial statements.

**Globus Relief**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2011**  
**With Comparative Totals For The Year Ended December 31, 2010**

	<b>12/31/2011</b>				12/31/2010
	Program Services	General and Administrative	Development Fundraising	Total	Total
Salaries and wages	\$ 847,374	\$ 98,954	\$ 62,969	\$ 1,009,297	\$ 1,012,009
Employee benefits	88,328	29,957	2,364	120,649	123,763
Payroll taxes	63,424	7,407	4,713	75,544	72,961
<b>Total salaries, payroll taxes and benefits</b>	<b>999,126</b>	<b>136,318</b>	<b>70,046</b>	<b>1,205,490</b>	<b>1,208,733</b>
Donations in-kind	73,633,610	-	-	73,633,610	64,698,048
Product acquisition costs	368,203	-	-	368,203	280,539
Rent	270,085	-	-	270,085	270,085
Freight/shipping	198,867	688	197	199,752	217,024
Contract services	44,092	87,454	-	131,546	113,192
Bad debt expense	48,952	-	-	48,952	5,797
Special projects expenses	40,569	-	-	40,569	47,530
Advertising/development	28,303	-	-	28,303	38,237
Professional fees	-	25,588	-	25,588	20,197
Telephone	18,504	3,190	1,508	23,202	23,259
Insurance	2,156	21,008	-	23,164	29,281
Bank service charges	12,617	9,437	-	22,054	24,545
Travel	9,680	10,536	-	20,216	18,198
Supplies	10,997	1,334	13	12,344	12,748
Automobile Expense	7,540	2,007	-	9,547	7,972
Equipment rentals	2,700	4,340	-	7,040	4,796
Meals and entertainment	1,516	1,998	-	3,514	5,855
Dues and subscriptions	796	468	1,000	2,264	2,146
Donations and contributions	-	1,000	-	1,000	400
Printing	977	-	1	978	2,664
License and permits	356	110	-	466	885
Repairs and maintenance	-	377	-	377	2,347
Miscellaneous	-	-	-	-	120
<b>Total expenses before depreciation</b>	<b>75,699,646</b>	<b>305,853</b>	<b>72,765</b>	<b>76,078,264</b>	<b>67,034,598</b>
Depreciation and amortization	28,084	3,280	2,087	33,451	44,634
<b>Total expenses</b>	<b>\$ 75,727,730</b>	<b>\$ 309,133</b>	<b>\$ 74,852</b>	<b>\$ 76,111,715</b>	<b>\$ 67,079,232</b>

See accompanying notes to financial statements.

**Globus Relief**  
**Statement of Cash Flows**  
**Year Ended December 31, 2011**  
**With Comparative Totals For The Year Ended December 31, 2010**

	<u>12/31/2011</u>	<u>12/31/2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 31,073,509	\$ 18,153,769
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	33,451	44,634
Allowance for doubtful accounts	(2,040)	(4,830)
Non-cash change in inventory	(31,178,965)	(18,410,909)
Changes in current assets and liabilities:		
Accounts receivable	(56,309)	(82,673)
Prepaid expenses	6,695	61,271
Deposit on software	(67,757)	(8,210)
Accounts payable	47,202	(13,141)
Accrued liabilities	<u>2,814</u>	<u>(405,200)</u>
Net cash used in operating activities	<u>(141,400)</u>	<u>(665,289)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	<u>(3,335)</u>	<u>(2,544)</u>
Net cash used in investing activities	<u>(3,335)</u>	<u>(2,544)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	(144,735)	(667,833)
Cash and cash equivalents, beginning of year	<u>437,880</u>	<u>1,105,713</u>
Cash and cash equivalents, end of year	<u>\$ 293,145</u>	<u>\$ 437,880</u>

**SUPPLEMENTAL CASH FLOW INFORMATION**

During the year ended December 31, 2011, the Organization received non-cash contributions in the amount of \$104,545,934. During the year ended December 31, 2011, 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, 2011**

**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 Association have been prepared on the accrual basis. The Association 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 June 12, 2012, 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 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. 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, 2011 was \$33,451.

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, 2011 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 for the year ended December 31, 2011.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending December 31, 2011, 2010, 2009, and 2008 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. Of this amount, \$9,774 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, 2011, the Organization received approximately 83% of its in-kind revenue from two donors.

At December 31, 2011, the Organization has approximately 44% of its accounts receivable is made up of two trade receivables 33% and 11%, respectively.

At December 31, 2011, the Organization has approximately 46% of its accounts payable is made up of two vendors 33% and 13%, respectively.

### 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, 2011, 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, 2010 have been reclassified to conform to the December 31, 2011 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, 2011. The Organization expects to satisfy the restrictions in the next fiscal year. The balance of temporarily restricted net assets as of December 31, 2011 was \$12,063.

**4. OPERATING LEASE COMMITMENTS**

The Organization entered into a lease agreement in May 2009. The lease agreement expired on June 30, 2011. The lease requires monthly payments of \$11,520. The Organization is on a month-to-month basis currently.

Total rent expense for the year ended December 31, 2011 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, 2011. The Organization also paid i4 Solutions, which is a related party to a member of the board of directors, \$375 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, 2011:

Donated office space	\$	131,845
Donated in-kind items	\$	789,423
Product conversion income	\$	66,350
Accounts payable balance	\$	15,644

**6. PRIOR YEAR INFORMATION**

The accompanying financial statements include certain prior year (2010) 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, 2010 are presented for comparative purposes only. The notes presented herein contain information relating to December 31, 2011 only. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2010 from which the summarized information was derived.