

*global links*

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**Years Ended December 31, 2006 and 2005**

**TABLE OF CONTENTS**

	Pages
<b>INDEPENDENT AUDITOR'S REPORT</b> .....	1
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position .....	2
Statements of Activities .....	3 - 4
Statements of Cash Flows .....	5
Notes to Financial Statements .....	6 - 10
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Activities by Asset Class .....	11



HERBEIN+COMPANY, INC.

CERTIFIED PUBLIC ACCOUNTANTS

Members of PKF North American Network, Pennsylvania Institute of CPAs,  
American Institute of Certified Public Accountants Div. of CPA Firms/SEC & Private Practice Sections  
www.herbein.com

To the Board of Directors  
*global links*  
Pittsburgh, Pennsylvania

### Independent Auditor's Report

We have audited the accompanying statements of financial position of *global links* as of December 31, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of *global links*' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide 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 *global links* at December 31, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental schedule has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The summarized information for the years ended 2005 and 2004 is not a complete presentation in conformity with accounting principles generally accepted in the United States.

*Herbein + Company, Inc.*

Pittsburgh, Pennsylvania

May 3, 2007

HERBEIN+COMPANY, INC.

One North Shore Center 12 Federal Street, Suite 300 Pittsburgh, PA 15212  
pittsburgh@herbein.com

Telephone: 412-392-2345 Facsimile: 412-392-2379

Other Offices:

READING

GREENSBURG

STATEMENTS OF FINANCIAL POSITION

	December 31	
ASSETS	2006	2005
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,527,111	\$ 1,223,150
Investments, at fair value	18,823	12,603
Accounts receivable	10,786	8,812
Contribution receivable	5,000	0
Inventory	1,486,000	1,571,000
Prepaid expenses	<u>11,481</u>	<u>5,431</u>
<b>TOTAL CURRENT ASSETS</b>	<b>3,059,201</b>	<b>2,820,996</b>
<b>LEASEHOLD IMPROVEMENTS AND EQUIPMENT</b>		
Furniture, fixtures and equipment	96,902	92,881
Leasehold improvements	<u>23,186</u>	<u>23,186</u>
	<b>120,088</b>	<b>116,067</b>
Accumulated depreciation and amortization	<u>(111,840)</u>	<u>(107,333)</u>
<b>NET LEASEHOLD IMPROVEMENTS AND EQUIPMENT</b>	<u><b>8,248</b></u>	<u><b>8,734</b></u>
<b>TOTAL ASSETS</b>	<b>\$ <u>3,067,449</u></b>	<b>\$ <u>2,829,730</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 30,337	\$ 33,292
Deferred revenue	<u>203,004</u>	<u>60,161</u>
<b>TOTAL LIABILITIES</b>	<b>233,341</b>	<b>93,453</b>
<b>NET ASSETS</b>		
Unrestricted	2,000,729	1,865,190
Temporarily restricted	<u>833,379</u>	<u>871,087</u>
<b>TOTAL NET ASSETS</b>	<u><b>2,834,108</b></u>	<u><b>2,736,277</b></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>3,067,449</u></b>	<b>\$ <u>2,829,730</u></b>

See accompanying notes.

**STATEMENTS OF ACTIVITIES**

Year Ended December 31	2006	2005
<b>UNRESTRICTED REVENUES AND SUPPORT</b>		
Donated materials and supplies	\$ 2,441,884	\$ 1,749,914
Donated pharmaceuticals	4,071,319	11,290,190
Materials and supplies contributed to other organizations	(3,138,029)	0
Contributions and support	524,729	260,491
Grant income	208,124	273,633
Management fees	84,764	81,305
Miscellaneous sales and other	26,367	25,064
Special events, net of expenses of \$3,148 and \$7,278, respectively	3,783	17,814
In-kind contributions	7,093	13,341
Interest and dividends	58,644	34,641
Net unrealized appreciation (depreciation) of investments	2,014	(438)
<b>TOTAL UNRESTRICTED REVENUES AND SUPPORT</b>	<b>4,290,692</b>	<b>13,745,955</b>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b>49,108</b>	<b>0</b>
<b>TOTAL REVENUES AND SUPPORT</b>	<b>4,339,800</b>	<b>13,745,955</b>
<b>EXPENSES</b>		
Program services:		
Materials, supplies and equipment shipped	2,606,460	1,782,323
Pharmaceuticals shipped	933,290	11,290,190
Personnel and other operating expenses	230,099	218,635
Shipping costs	94,083	96,401
Warehouse expense	72,465	45,805
Travel and conference expenses	13,125	11,218
Equipment repair expenses	9,715	12,774
	<b>3,959,237</b>	<b>13,457,346</b>
Administrative services:		
Management and general	173,133	153,351
Fundraising	71,891	65,954
<b>TOTAL EXPENSES</b>	<b>4,204,261</b>	<b>13,676,651</b>
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	<b>135,539</b>	<b>69,304</b>

See accompanying notes.

STATEMENTS OF ACTIVITIES - CONTINUED

<b>Year Ended December 31</b>	<b>2006</b>	<b>2005</b>
<b>INCREASE IN UNRESTRICTED NET ASSETS - CONTINUED</b>	<b>135,539</b>	<b>69,304</b>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Grants and contributions	<b>11,400</b>	0
Net assets released from restrictions	<b>(49,108)</b>	0
<b>DECREASE IN TEMPORARILY RESTRICTED NET ASSETS</b>	<b>(37,708)</b>	0
<b>INCREASE IN NET ASSETS</b>	<b>97,831</b>	<b>69,304</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>2,736,277</b>	<b>2,666,973</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 2,834,108</b>	<b>\$ 2,736,277</b>

See accompanying notes.

STATEMENTS OF CASH FLOWS

Year Ended December 31	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 97,831	\$ 69,304
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Noncash change in inventory	85,000	8,000
Depreciation and amortization	4,507	9,494
Net unrealized (appreciation) depreciation of investments	(2,014)	438
Changes in:		
Accounts receivable	(1,974)	(505)
Contribution receivable	(5,000)	0
Prepaid expenses	(6,050)	(377)
Accounts payable, accrued expenses and deferred revenue	139,888	(5,285)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>312,188</b>	<b>81,069</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(4,021)	(1,548)
Purchase of investments	(4,206)	(310)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(8,227)</b>	<b>(1,858)</b>
<b>NET INCREASE IN CASH</b>	<b>303,961</b>	<b>79,211</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>1,223,150</b>	<b>1,143,939</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 1,527,111</b>	<b>\$ 1,223,150</b>

See accompanying notes.

## ***global links***

### **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006 and 2005**

*global links* ("*global links*") is a non-profit corporation dedicated to recovering surplus medical equipment and supplies for use by healthcare facilities serving the poor, primarily in developing countries. To achieve this mission, *global links* collects batch and single-item supplies and equipment that are still valuable but are no longer in demand due to procedural waste, technological change, regulatory requirements or production overage, and prepares them for shipment with the help of a large pool of volunteers.

Founded in 1989, *global links* provides American healthcare institutions and manufacturers with an environmentally and socially responsible alternative to the disposal or incineration of surplus medical materials, while simultaneously aiming to ensure that one hundred percent of the materials it ships are needed and can be used.

#### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

---

The significant accounting policies of *global links*, all of which are in conformity with accounting principles generally accepted in the United States of America, are summarized below:

##### Basis of Presentation:

*global links* reports amounts for its total assets, liabilities and net assets in a statement of financial position, the change in its net assets in a statement of activities and the change in its cash and cash equivalents in a statement of cash flows. Also, its net assets and its revenues, expenses, gains and losses are classified in these financial statements, based on the existence or absence of donor imposed restrictions, as temporarily restricted, permanently restricted or unrestricted. Temporarily restricted net assets are those whose use by *global links* has been limited by donors to a specific time period or purpose. *global links* has no permanently restricted net assets. Unrestricted net assets are those currently available at the discretion of the Board for unlimited use in the Organization's operations.

##### Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures 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 may differ from those estimates.

##### Investments:

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value based on quoted market prices in the Statements of Financial Position. Dividends, interest and other investment income or loss, including realized gains and losses and unrealized appreciation, are reported in the period earned as increases or decreases in unrestricted net assets unless the use of the assets received is limited by donor-imposed restrictions or by law. Donor-restricted investment income would be reported as an increase in temporarily restricted net assets or, if and when applicable, permanently restricted net assets. At December 31, 2006 and 2005, the Organization was holding equity securities with a fair value of \$18,823 and \$12,603, respectively. This amount is not significantly different from cost.



**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2006 and 2005**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

---

Accounts and Contributions Receivable:

Accounts and contributions receivable represent amounts committed by donors, grantors or others that have not been received by the Organization by year-end. All amounts are due within one year. Management has determined that no allowance is necessary.

Contributions and Support:

Contributions, gifts and unconditional promises to give cash and other assets to *global links* are reported at fair value at the date received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is physically received. The contributions are reported as either temporarily or permanently 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 as unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions. Contributions whose restrictions have been met in the same year are reported as unrestricted.

Donated Materials, Supplies and Equipment:

Donations include materials, supplies and equipment donated for shipment to developing countries, and equipment donated for internal administrative use. The dollar value of such donations and the related "materials and supplies shipped" expense can fluctuate significantly from year to year dependent upon the shipment of more expensive items (i.e. pharmaceuticals) versus the shipment of less expensive items (i.e. hospital beds and mattresses, and used medical equipment). *global links* reports gifts of material and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Grants:

Grants generally represent monies received that are granted to cover the shipping and administration expenses associated with the shipment of materials and supplies to a particular country. Revenue is recognized when the related expense is incurred.

In-Kind Contributions:

In-Kind contributions represent donated professional services from unrelated parties. Contributions of services shall be recognized if the services received (a) create or enhance a non-financial asset or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. *global links* receives a substantial amount of volunteered support from individuals and charitable organizations whose time is not recognized as a contribution in the financial statements since they are either not considered specialists or are directly related to *global links* (i.e. Board Member) (See Note E).

Cash and Cash Equivalents:

Cash and cash equivalents consist of highly liquid debt instruments purchased with an original maturity of three months or less and cash held in checking, savings, money market accounts and certificates of deposit. Cash in excess of FDIC insurance at December 31, 2006 and 2005 was \$1,332,228 and \$1,111,281, respectively.

***global links***

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2006 and 2005**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

---

Inventory:

Inventory, representing donated materials awaiting shipment to developing countries, is stated at estimated fair market value. Due to the timing of receipts and shipments of donated materials and supplies, *significant fluctuations in inventory levels may occur* which will also significantly impact the change in net assets as presented in the Statements of Activities. All items included in inventory are to be used for program services and are not available for liquidation.

Leasehold Improvements and Equipment:

Furniture, fixtures and equipment are stated at cost (or estimated fair value for donated items). Depreciation is provided on the straight-line method over an estimated useful life of five years. Leasehold improvements, which are stated at cost, are amortized over the lease term.

Allocation of Expenses:

The costs of providing the various programs and supporting activities of *global links* have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the program and supporting activities benefited in a rational and systematic manner.

Income Taxes:

*global links* has been determined to be an exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, is not subject to income tax under present laws.

Reclassifications:

Certain 2005 expenses have been reclassified to conform to the 2006 presentation.

**NOTE B - LINE OF CREDIT**

---

*global links* has a line of credit with a bank that provides the availability of \$100,000 at December 31, 2006 and at December 31, 2005. The line of credit bears interest at the prime rate plus 1% (8% and 8.25% at December 31, 2006 and 2005, respectively) and can be repaid at any time. At December 31, 2006 and 2005, no balance was outstanding under the line. The line is collateralized by all money on deposit held by the bank and property of *global links*.

**NOTE C - MATERIALS AND SUPPLIES CONTRIBUTED TO OTHER ORGANIZATIONS**

---

*global links* often receives donations of large quantities of materials and supplies from donors' surplus inventories. When particular items offered are not appropriate for use in its normal endeavors, *global links* contributes these items to other charitable organizations aiding those in need in other parts of the world. This constitutes a service to both the donor and the other charities. However, because the receipt and ultimate disposition of these materials and supplies is controlled by other charities, *global links* chooses not to include their value in expenses in the Statements of Activities.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2006 and 2005

NOTE D - ADMINISTRATION

---

Total administration costs are as follows:

	December 31	
	2006	2005
Personnel costs	\$ 69,358	\$ 53,954
Warehouse management services	51,892	49,896
Office expense	11,855	16,559
Consulting and professional fees	10,022	11,346
Depreciation and amortization	4,506	9,494
Insurance	5,803	5,197
Office rent	4,256	3,206
Dues and publications	9,477	1,621
Postage and shipping	3,021	1,174
Travel and meals	2,670	0
Miscellaneous	273	904
Management and General	173,133	153,351
Fundraising	71,891	65,954
TOTAL	\$ 245,024	\$ 219,305

NOTE E - VOLUNTEER SERVICES

---

There were 127 individuals who contributed a total of more than 2,750 hours of volunteer service at *global links* during 2006.

Also during 2006, 78 groups volunteered a total of 239 times with a total of 1,556 participants (individuals who came more than once were counted as participants for each time they came). On average, these groups volunteered for approximately 2 hours each visit, thereby contributing about 3,200 hours of volunteer service.

Combined, *global links* received annually more than 5,900 hours of volunteer service from more than 1,680 individuals during 2006 and 5,600 hours of volunteer service from more than 1,430 individuals during 2005.

These services were not recognized as income as they did not meet the accounting criteria.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2006 and 2005**

**NOTE F - NET ASSETS**

---

Temporarily restricted net assets are available for the following purposes:

	December 31	
	2006	2005
New offices and warehouse	\$ 811,400	\$ 800,000
Nephrology Lab	21,979	71,087
TOTAL	<u>\$ 833,379</u>	<u>\$ 871,087</u>

Net assets were released from donor restrictions during the years ended December 31, 2006 and 2005 by incurring expenses satisfying the restricted purposes related to the Nephrology Lab in the amount of \$49,108 and \$0, respectively.

**NOTE G - COMMITMENTS**

---

In April of 2006, *global links* signed a two-year lease ending March 31, 2008 for office space at a monthly rate of \$1,525 for the first year and \$1,925 for the second year. In September 2006, *global links* signed a two-year lease ending August 31, 2008 for warehouse space at a monthly rate of \$3,500. Rent expense under these lease agreements was \$52,219 and \$28,825 for 2006 and 2005, respectively.

Effective September 1, 2005, *global links* entered into a two-year agreement with UPMC Health System under which *global links* provided surplus material management services for a UPMC Health System owned warehouse. The agreement had operated under terms and conditions of a monthly payment of \$6,927 through August 31, 2006, and the monthly payment has been increased to \$7,135 through August 31, 2007. Amounts received are reported in the Statements of Activities as "management fees."

**SUPPLEMENTARY INFORMATION**

SCHEDULE OF ACTIVITIES BY ASSET CLASS

Year Ended December 31

	Unrestricted Net Assets			Restricted Net Assets	Total Net Assets		
	Cash and Other	Materials and Supplies	Total		2005	2006	(Summarized Financial Information)* 2004
<b>REVENUES</b>							
Donated materials and supplies	\$ 0	\$ 2,441,884	\$ 2,441,884	\$ 0	\$ 2,441,884	\$ 1,749,914	\$ 2,825,223
Donated pharmaceuticals		4,071,319	4,071,319	0	4,071,319	11,290,190	4,308,577
Materials and supplies contributed to other organizations	0	(3,138,029)	(3,138,029)	0	(3,138,029)	0	(628,842)
Contributions and support	524,729	0	524,729	11,400	536,129	260,491	1,069,053
Grant income	208,124	0	208,124	0	208,124	273,633	168,205
Management fees	84,764	0	84,764	0	84,764	81,305	78,936
Miscellaneous sales and other	26,367	0	26,367	0	26,367	25,064	15,224
Special events	3,783	0	3,783	0	3,783	17,814	30,543
In-kind contributions	7,093	0	7,093	0	7,093	13,341	5,378
Investment income	58,644	0	58,644	0	58,644	34,641	4,446
Net realized appreciation (depreciation) of investments	2,014	0	2,014	0	2,014	(438)	207
<b>TOTAL REVENUES</b>	915,518	3,375,174	4,290,692	11,400	4,302,092	13,745,955	7,876,950
<b>EXPENSES</b>							
Program services:							
Materials, supplies and equipment shipped	0	2,557,352	2,557,352	49,108	2,606,460	1,782,323	5,251,433
Pharmaceuticals shipped	0	933,290	933,290	0	933,290	11,290,190	3,679,735
Personnel and other operating expenses	230,099	0	230,099	0	230,099	218,635	209,099
Shipping costs	94,083	0	94,083	0	94,083	96,401	63,749
Warehouse expenses	72,465	0	72,465	0	72,465	45,805	37,570
Travel and conferences	13,125	0	13,125	0	13,125	11,218	10,847
Equipment repair	9,715	0	9,715	0	9,715	12,774	5,807
<b>TOTAL PROGRAM SERVICES</b>	419,487	3,490,642	3,910,129	49,108	3,959,237	13,457,346	9,258,240
Administration	245,024	0	245,024	0	245,024	219,305	221,335
<b>TOTAL EXPENSES</b>	664,511	3,490,642	4,155,153	49,108	4,204,261	13,676,651	9,479,575
<b>INCREASE (DECREASE) IN NET ASSETS</b>	\$ 251,007	\$ (115,468)	\$ 135,539	\$ (37,708)	\$ 97,831	\$ 69,304	\$ (1,602,625)

\*Summarized financial information - the columns are presented for 2005 and 2004 only to facilitate financial analysis.