

global links

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Years Ended December 31, 2005 and 2004

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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

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, 2005 and 2004 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 audits 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, 2005 and 2004, 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.

Herbein + Company, Inc.

Pittsburgh, Pennsylvania
January 13, 2006

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STATEMENTS OF FINANCIAL POSITION

	December 31	
	2005	2004
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,223,150	\$ 1,143,939
Investments, at fair value	12,603	12,731
Accounts receivable	8,812	8,307
Inventory	1,571,000	1,579,000
Prepaid expenses	5,431	5,054
	<u>2,820,996</u>	<u>2,749,031</u>
LEASEHOLD IMPROVEMENTS AND EQUIPMENT		
Furniture, fixtures and equipment	92,881	91,333
Leasehold improvements	23,186	23,186
	<u>116,067</u>	<u>114,519</u>
Accumulated depreciation and amortization	(107,333)	(97,839)
	<u>8,734</u>	<u>16,680</u>
NET FURNITURE AND EQUIPMENT		
	<u>8,734</u>	<u>16,680</u>
TOTAL ASSETS	<u>\$ 2,829,730</u>	<u>\$ 2,765,711</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 33,292	\$ 41,538
Deferred revenue	60,161	57,200
	<u>93,453</u>	<u>98,738</u>
TOTAL LIABILITIES	<u>93,453</u>	<u>98,738</u>
NET ASSETS		
Unrestricted	1,865,190	1,795,886
Temporarily restricted	871,087	871,087
	<u>2,736,277</u>	<u>2,666,973</u>
TOTAL NET ASSETS	<u>2,736,277</u>	<u>2,666,973</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,829,730</u>	<u>\$ 2,765,711</u>

See accompanying notes.

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STATEMENTS OF ACTIVITIES

Year Ended December 31	2005	2004
UNRESTRICTED REVENUES AND SUPPORT		
Donated materials and supplies	\$ 13,040,104	\$ 7,133,800
Materials and supplies contributed to other organizations	0	(628,842)
Contributions and support	260,491	269,053
Grant income	273,633	168,205
Management fees	81,305	78,936
Miscellaneous sales and other	25,064	15,224
Special events	25,092	30,543
In-kind contributions	13,341	5,378
Interest and dividends	34,641	4,446
Net unrealized appreciation of investments	(438)	207
TOTAL UNRESTRICTED REVENUES AND SUPPORT	13,753,233	7,076,950
NET ASSETS RELEASED FROM RESTRICTIONS	0	133,166
TOTAL REVENUES AND SUPPORT	13,753,233	7,210,116
EXPENSES		
Program services:		
Materials, supplies and equipment shipped	13,072,513	8,931,168
Personnel and other operating	218,635	209,099
Shipping costs	96,401	63,749
Warehouse expense	45,805	37,570
Travel and conferences	11,218	10,847
Equipment repair	12,774	5,807
	13,457,346	9,258,240
Administrative services:		
Management and general	153,351	150,961
Fundraising	73,232	70,374
TOTAL EXPENSES	13,683,929	9,479,575
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	69,304	(2,269,459)

See accompanying notes.

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STATEMENTS OF ACTIVITIES - CONTINUED

Year Ended December 31	2005	2004
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS - CONTINUED	69,304	(2,269,459)
TEMPORARILY RESTRICTED NET ASSETS		
Grants and contributions	0	800,000
Net assets released from restrictions	0	(133,166)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	0	666,834
INCREASE (DECREASE) IN NET ASSETS	69,304	(1,602,625)
NET ASSETS AT BEGINNING OF YEAR	2,666,973	4,269,598
NET ASSETS AT END OF YEAR	\$ 2,736,277	\$ 2,666,973

See accompanying notes.

STATEMENTS OF CASH FLOWS

Year Ended December 31	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 69,304	\$ (1,602,625)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Noncash change in inventory	8,000	2,293,000
Depreciation and amortization	9,494	10,047
Net unrealized (appreciation) depreciation of investments	438	(207)
Changes in:		
Accounts receivable	(505)	(1,644)
Prepaid expenses	(377)	(2,076)
Accounts payable, accrued expenses and deferred revenue	(5,285)	63,533
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	81,069	760,028
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(1,548)	(3,355)
Purchase of investments	(310)	(1,198)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(1,858)	(4,553)
NET INCREASE IN CASH	79,211	755,475
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,143,939	388,464
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,223,150	\$ 1,143,939

See accompanying notes.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2005 and 2004

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, 2005 and 2004, the Organization was holding equity securities with a fair value of \$12,603 and \$12,731, respectively. This amount is not significantly different from cost.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2005 and 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounts Receivable:

Accounts receivable represent amounts committed by donors, grantors or others that have not been received by the Organization by year-end. 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 restricted to cover the shipping and administration expenses associated with the shipment of materials and supplies to a particular country.

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 and money market accounts. Cash in excess of FDIC insurance at December 31, 2005 and 2004 was \$1,111,281 and \$1,128,377, respectively.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2005 and 2004

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 (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. All costs are considered program costs except those classified as administration.

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 2004 expenses have been reclassified to conform to the 2005 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, 2005 and \$25,000 at December 31, 2004. The line of credit bears interest at the prime rate plus 1% (8.25% at December 31, 2005 and 6.25% at December 31, 2004) and can be repaid at any time. At December 31, 2005 and 2004, no balance was outstanding under the line. The line is collateralized by all money on deposit and property of *global links* held by the bank.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2005 and 2004

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.

NOTE D – ADMINISTRATION

Total administration costs are as follows:

	December 31	
	2005	2004
Personnel costs	\$ 53,954	\$ 56,856
Warehouse management services	49,896	44,080
Office expense	16,559	9,641
Consulting and professional fees	11,346	10,187
Depreciation and amortization	9,494	10,048
Insurance	5,197	4,022
Office rent	3,206	2,925
Dues and publications	1,621	2,013
Postage and shipping	1,174	1,685
Miscellaneous	904	9,504
Management and General	153,351	150,961
Fundraising	73,232	70,374
TOTAL	\$ 226,583	\$ 221,335

NOTE E - VOLUNTEER SERVICES

There were 101 individuals who contributed a total of more than 2,975 hours of volunteer service at *global links* during 2005.

Also during 2005, 77 groups volunteered a total of 194 times with a total of 1,337 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 2,700 hours of volunteer service.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2005 and 2004

NOTE E - VOLUNTEER SERVICES - CONTINUED

Combined, *global links* received annually more than 5,600 hours of volunteer service from more than 1,430 individuals during 2005 and 1,490 individuals during 2004.

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

NOTE F – NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	December 31	
	2005	2004
New offices and warehouse	\$ 800,000	\$ 800,000
Nephrology Lab	71,087	71,087
TOTAL	\$ 871,087	\$ 871,087

Net assets were released from donor restrictions during the years ended December 31, 2005 and 2004 by incurring expenses satisfying the restricted purposes related to the nephrology lab in the amount of \$0 and \$133,166, respectively.

NOTE G – COMMITMENTS

In April of 2005, *global links* signed a one-year lease ending March 31, 2006 at a monthly rate of \$1,100 for office space. *global links* had a lease agreement for warehouse space for calendar year 2002 at \$1,333 per month. This lease operated on a month-to-month basis under the terms and conditions of the old agreement through December 31, 2005. Beginning January 1, 2006, monthly rent will be paid at a rate of \$2,000 under a new agreement that expires April 30, 2006. Rent expense under these lease agreements was \$28,825 and \$27,700 for 2005 and 2004, respectively.

Effective September 1, 2004, *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 \$6,725 through August 31, 2005, and the monthly payment has been increased to \$6,927 through August 31, 2006. Amounts received are reported in the Statements of Activities as "management fees."



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Board of Directors
global links
Pittsburgh, Pennsylvania

Independent Auditor's Report on Supplementary Information

Our report on our audits of the basic financial statements of *global links* for the years ended December 31, 2005 and 2004 appears on page 1. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information included in the accompanying schedule on page 12 for the year ended December 31, 2005 and the summarized information for the years ended 2004 and 2003 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 2004 and 2003 is not a complete presentation in conformity with accounting principles generally accepted in the United States.

Pittsburgh, Pennsylvania
January 13, 2006

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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	2004	2003
REVENUES							
Donated materials and supplies	\$ 0	\$ 13,040,104	\$ 13,040,104	0	\$ 13,040,104	\$ 7,133,800	\$ 10,319,342
Materials and supplies contributed to other organizations	0	0	0	0	0	(628,842)	(735,718)
Contributions and support	260,491	0	260,491	0	260,491	1,069,053	286,142
Grant income	273,633	0	273,633	0	273,633	168,205	792,358
Management fees	81,305	0	81,305	0	81,305	78,936	78,348
Miscellaneous sales and other	25,064	0	25,064	0	25,064	15,224	15,754
Special events	25,092	0	25,092	0	25,092	30,543	12,243
In-kind contributions	13,341	0	13,341	0	13,341	5,378	6,867
Investment income	34,641	0	34,641	0	34,641	4,446	2,720
Net realized appreciation (depreciation) of investments	(438)	0	(438)	0	(438)	207	2,220
TOTAL REVENUES	713,129	13,040,104	13,753,233	0	13,753,233	7,876,950	10,780,276
EXPENSES							
Program services:							
Materials, supplies and equipment shipped	0	13,072,513	13,072,513	0	13,072,513	8,931,168	7,863,158
Personnel and other operating expenses	218,635	0	218,635	0	218,635	209,099	212,316
Shipping costs	96,401	0	96,401	0	96,401	63,749	61,101
Warehouse expenses	45,805	0	45,805	0	45,805	37,570	36,736
Travel and conferences	11,218	0	11,218	0	11,218	10,847	10,275
Equipment repair	12,774	0	12,774	0	12,774	5,807	5,859
TOTAL PROGRAM SERVICES	384,833	13,072,513	13,457,346	0	13,457,346	9,258,240	8,189,445
Administration	226,583	0	226,583	0	226,583	221,335	177,852
TOTAL EXPENSES	611,416	13,072,513	13,683,929	0	13,683,929	9,479,575	8,367,297
INCREASE (DECREASE) IN NET ASSETS	\$ 101,713	\$ (32,409)	\$ 69,304	\$ 0	\$ 69,304	\$ (1,602,625)	\$ 2,412,979

*Summarized financial information - the columns are presented for 2004 and 2003 only to facilitate financial analysis.