

global links

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Years Ended December 31, 2004 and 2003

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HERBEIN+COMPANY, INC.
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2004 and 2003 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, 2004 and 2003, 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 21, 2005

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STATEMENTS OF FINANCIAL POSITION

	December 31	
	2004	2003
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,143,939	\$ 388,464
Investments, at fair value	12,731	11,325
Accounts receivable	8,307	6,663
Inventory	1,579,000	3,872,000
Prepaid expenses	5,054	2,978
	<u>2,749,031</u>	<u>4,281,430</u>
LEASEHOLD IMPROVEMENTS AND EQUIPMENT		
Furniture, fixtures and equipment	91,333	91,338
Leasehold improvements	23,186	23,186
	<u>114,519</u>	<u>114,524</u>
Accumulated depreciation and amortization	(97,839)	(91,151)
	<u>16,680</u>	<u>23,373</u>
NET FURNITURE AND EQUIPMENT		
	<u>16,680</u>	<u>23,373</u>
TOTAL ASSETS	<u>\$ 2,765,711</u>	<u>\$ 4,304,803</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 41,538	\$ 25,205
Deferred revenue	57,200	10,000
	<u>98,738</u>	<u>35,205</u>
TOTAL LIABILITIES		
	<u>98,738</u>	<u>35,205</u>
NET ASSETS		
Unrestricted	1,795,886	4,065,345
Temporarily restricted	871,087	204,253
	<u>2,666,973</u>	<u>4,269,598</u>
TOTAL NET ASSETS		
	<u>2,666,973</u>	<u>4,269,598</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,765,711</u>	<u>\$ 4,304,803</u>

See accompanying notes.

STATEMENTS OF ACTIVITIES

Year Ended December 31	2004	2003
UNRESTRICTED REVENUES AND SUPPORT		
Donated materials and supplies	\$ 7,133,800	\$ 10,319,342
Materials and supplies contributed to other organizations	(628,842)	(735,718)
Contributions and support	269,053	226,892
Grant income	168,205	97,358
Management fees	78,936	78,348
Miscellaneous sales and other	15,224	15,754
Special events	30,543	12,243
In-kind contributions	5,378	6,867
Investment income	4,446	2,720
Net realized appreciation of investments	207	2,220
TOTAL UNRESTRICTED REVENUES AND SUPPORT	7,076,950	10,026,026
NET ASSETS RELEASED FROM RESTRICTIONS	133,166	567,327
TOTAL REVENUES AND SUPPORT	7,210,116	10,593,353
EXPENSES		
Program services		
Materials, supplies and equipment shipped	8,931,168	7,862,558
Personnel and other operating	141,895	160,015
Shipping costs	63,749	61,645
Warehouse expense	16,000	16,000
Travel and conferences	10,845	12,548
Equipment repair	12,178	10,936
	9,175,835	8,123,702
Management and general	250,310	207,570
Fundraising	53,430	36,025
TOTAL EXPENSES	9,479,575	8,367,297
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(2,269,459)	2,226,056

See accompanying notes.

STATEMENTS OF ACTIVITIES - CONTINUED

Year Ended December 31	2004	2003
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS - CONTINUED	(2,269,459)	2,226,056
TEMPORARILY RESTRICTED NET ASSETS		
Grants and contributions	800,000	754,250
Net assets released from restrictions	<u>(133,166)</u>	<u>(567,327)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>666,834</u>	<u>186,923</u>
INCREASE (DECREASE) IN NET ASSETS	(1,602,625)	2,412,979
NET ASSETS AT BEGINNING OF YEAR	<u>4,269,598</u>	<u>1,856,619</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,666,973</u>	<u>\$ 4,269,598</u>

See accompanying notes

STATEMENTS OF CASH FLOWS

Year Ended December 31	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase(decrease) in net assets	\$ (1,602,625)	\$ 2,412,979
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Noncash change in inventory	2,293,000	(2,218,000)
Depreciation and amortization	10,047	9,920
Net unrealized (appreciation) depreciation of investments	(207)	(2,220)
Changes in:		
Accounts receivable	(1,644)	158
Prepaid expenses	(2,076)	425
Accounts payable and accrued expenses	16,333	7,997
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	712,828	211,259
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(3,355)	(1,442)
Purchase of investments	(1,198)	(1,334)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(4,553)	(2,776)
NET INCREASE IN CASH	708,275	208,483
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	388,464	179,981
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,096,739	\$ 388,464

See accompanying notes.

global links

NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

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 more 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, 2004 and 2003, the Organization was holding equity securities with a fair value of \$12,731 and \$11,325, respectively. This amount is not significantly different from cost.

NOTES TO FINANCIAL STATEMENTS- CONTINUED

December 31, 2004 and 2003

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 designated or 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, 2004 was \$1,128,377.

NOTES TO FINANCIAL STATEMENTS- CONTINUED

December 31, 2004 and 2003

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.

NOTE B - LINE OF CREDIT

global links has a line of credit with a bank that provides the availability of \$25,000. The line of credit bears interest at the prime rate plus 1% and can be repaid at any time. At December 31, 2004 and 2003, no balance was outstanding under the line. The line is collateralized by all assets 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, 2004 and 2003

NOTE D – ADMINISTRATION

Total administration costs are as follows:

	December 31	
	2004	2003
Personnel costs	\$ 150,757	\$ 121,279
Warehouse management services	26,687	23,738
Office expense	19,333	18,104
Consulting and professional fees	13,445	14,059
Depreciation and amortization	10,047	9,920
Insurance	8,196	8,068
Office rent	1,492	1,425
Dues and publications	6,556	5,515
Postage and shipping	4,182	4,282
Miscellaneous	9,615	1,180
Management and general	250,310	207,570
Fundraising	53,430	36,025
TOTAL	\$ 303,740	\$ 243,595

NOTE E - VOLUNTEER SERVICES

There were about 101 individuals who contributed a total of more than 2,800 hours of volunteer service at *global links* during 2004.

Also during 2004, about 71 groups volunteered a total of 192 times with a total of 1,396 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 2,800 hours of volunteer service.

Combined, *global links* received annually more than 5,700 hours of volunteer service from more than 1,490 individuals during 2004 and 1,040 individuals during 2003.

These services were not recognized as income.

global links

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2004 and 2003

NOTE F – NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	December 31	
	2004	2003
Facilities	\$ 800,000	\$ 0
Nephrology Lab/Cuba	71,087	191,861
Shipments to Jamaica	0	12,392
TOTAL	\$ <u>871,087</u>	\$ <u>204,253</u>

Net assets were released from donor restrictions during the years ended December 31, 2004 and 2003 by incurring expenses satisfying the restricted purposes in the amount of \$133,166 and \$567,327, respectively.

NOTE G – COMMITMENTS

In March of 2003, *global links* signed a two-year lease ending March 31, 2005 at a monthly rate of \$975 for office space. *global links* had a lease agreement for warehouse space for calendar year 2002 at \$1,333 per month. This lease is operating on a month-to-month basis under the terms and conditions of the old agreement. Rent expense under these lease agreements was \$27,700 and \$27,175 for 2004 and 2003, respectively.

Effective September 1, 2000, *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 has continued on a month-to-month basis subsequent to September 1, 2002. Fees received by *global links* for these management services are included in the Statements of Activities.



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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, 2004 and 2003 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, 2004 and the summarized information for the years ended 2003 and 2002 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 2003 and 2002 is not a complete presentation in conformity with accounting principles generally accepted in the United States. Additionally, we have previously audited, in accordance with auditing standards generally accepted in the United States, the financial statements as of December 31, 2002 (not presented herein); and we expressed an unqualified opinion on those statements. In our opinion, the accompanying summarized information for 2002 is fairly stated in all material respects, in relation to the financial statements from which it has been derived.

Herbein+Company, Inc.

Pittsburgh, Pennsylvania
January 21, 2005

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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		
	Materials				(Summarized Financial Information)*		
	Cash and Other	Supplies	Total			2003	2002
REVENUES							
Donated materials and supplies	\$ 0	\$ 7,133,800	\$ 7,133,800	\$ 0	\$ 7,133,800	\$ 10,319,342	\$ 12,055,207
Materials and supplies contributed to other organizations	0	(628,842)	(628,842)	0	(628,842)	(735,718)	(1,066,175)
Contributions and support	269,053	0	269,053	800,000	1,069,053	286,142	294,695
Grant income	301,371	0	301,371	0	301,371	792,358	182,748
Management fees	78,936	0	78,936	0	78,936	78,348	78,348
Miscellaneous sales and other	15,224	0	15,224	0	15,224	15,754	382
Special events	30,543	0	30,543	0	30,543	12,243	253
In-kind contributions	5,378	0	5,378	0	5,378	6,867	6,255
Investment income	4,446	0	4,446	0	4,446	2,720	3,495
Net realized appreciation of investments	207	0	207	0	207	2,220	(2,402)
TOTAL REVENUES	705,158	6,504,958	7,210,116	800,000	8,010,116	10,780,276	11,552,806
EXPENSES							
Program services:							
Materials, supplies and equipment shipped	0	8,810,395	8,810,395	120,773	8,931,168	7,862,558	11,588,031
Personnel and other operating expenses	141,895	0	141,895	0	141,895	160,015	114,486
Shipping costs	51,356	0	51,356	12,393	63,749	61,645	65,467
Warehouse expenses	16,000	0	16,000	0	16,000	16,000	16,000
Travel and conferences	10,845	0	10,845	0	10,845	12,548	7,483
Equipment repair	12,178	0	12,178	0	12,178	10,936	9,476
TOTAL PROGRAM SERVICES	232,274	8,810,395	9,042,669	133,166	9,175,835	8,123,702	11,800,943
Administration	303,740	0	303,740	0	303,740	243,595	253,938
TOTAL EXPENSES	536,014	8,810,395	9,346,409	133,166	9,479,575	8,367,297	12,054,881
INCREASE (DECREASE) IN NET ASSETS	\$ 169,144	\$ (2,305,437)	\$ (2,136,293)	\$ 666,834	\$ (1,469,459)	\$ 2,412,979	\$ (502,075)

*Summarized financial information - the columns are presented for 2003 and 2002 only to facilitate financial analysis.