

GLOBAL STRATEGIES
ALBANY, CALIFORNIA

FINANCIAL STATEMENTS

AUGUST 31, 2016

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R. J. RICCIARDI, INC.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Global Strategies
San Rafael, California

Report on the Financial Statements

We have audited the accompanying financial statements of Global Strategies, which comprise the statement of financial position as of August 31, 2016, and the related statements of activities, statements of 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 opinions 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 from 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 organization'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 organization'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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Global Strategies as of August 31, 2016, 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 Global Strategies' 2015 financial statements, and our report dated April 1, 2016, 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 August 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

R. J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
March 10, 2017

Global Strategies
STATEMENTS OF FINANCIAL POSITION
August 31, 2016
(With Comparative Totals for August 31, 2015)

	2016	2015
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents (Note 4)	\$ 1,525,987	\$ 2,012,008
Pledges receivable (Note 5)	562,050	22,000
Prepaid expenses and other current assets	26,769	72,283
Total current assets	2,114,806	2,106,291
Non-current assets:		
Long-term Investments (Note 6)	124,888	124,324
Security deposits	2,590	2,590
Fixed assets, net of accumulated depreciation (Note 8)	918	1,778
Intangible assets (Note 9)	243,434	210,323
Total non-current assets	371,830	339,015
Total assets	\$ 2,486,636	\$ 2,445,306
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 8,698	\$ 7,512
Accrued payroll liabilities	14,070	7,492
Total current liabilities	22,768	15,004
Net assets - Exhibit A:		
Unrestricted	1,086,740	1,280,631
Temporarily restricted (Note 11)	1,377,128	1,149,671
Total net assets	2,463,868	2,430,302
Total liabilities and net assets	\$ 2,486,636	\$ 2,445,306

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF ACTIVITIES

For the Year Ended August 31, 2016

(With Comparative Totals for the Year Ended August 31, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
Revenues and support:				
Support:				
Grants	\$ 183,000	\$ 1,137,000	\$ 1,320,000	\$ 1,174,471
Contributions	242,359	84,374	326,733	235,174
Fundraising events, net of direct costs	-	-	-	46,749
In-kind contributions	59,912	-	59,912	50,577
Revenues:				
Interest income/other	807	-	807	1,106
Net realized and unrealized gains and (losses) on investments	195	-	195	3,692
Net assets released from restrictions	<u>993,917</u>	<u>(993,917)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>1,480,190</u>	<u>227,457</u>	<u>1,707,647</u>	<u>1,511,769</u>
Expenses (Note 10):				
Program services	1,449,632	-	1,449,632	1,351,402
Management and general	157,241	-	157,241	160,980
Fundraising	<u>67,208</u>	<u>-</u>	<u>67,208</u>	<u>89,960</u>
Total expenses	<u>1,674,081</u>	<u>-</u>	<u>1,674,081</u>	<u>1,602,342</u>
Change in net assets	(193,891)	227,457	33,566	(90,573)
Net assets, beginning of period	<u>1,280,631</u>	<u>1,149,671</u>	<u>2,430,302</u>	<u>2,520,875</u>
Net assets, end of period	<u>\$ 1,086,740</u>	<u>\$ 1,377,128</u>	<u>\$ 2,463,868</u>	<u>\$ 2,430,302</u>

The accompanying notes are an integral part of these financial statements.

Global Strategies
STATEMENTS OF FUNCTIONAL EXPENSES
 For the Year Ended August 31, 2016
 (With Comparative Totals for the Year Ended August 31, 2015)

	Program Services					Total Program Services	Admin & General	Fundraising	2016 Total	2015 Total
	Prevention and Care	Education and Training	Public Issue Advocacy	Health and Technology	Monitoring and Evaluation					
Expenses (Note 10):										
Grants to partners	\$ 745,843	\$ 100,203	\$ -	\$ 32,034	\$ 40,280	\$ 918,360	\$ -	\$ -	\$ 918,360	\$ 898,694
Salaries, payroll taxes, and benefits	48,307	30,856	26,770	53,418	88,632	247,983	118,847	48,739	415,569	375,308
Professional services	21,189	6,531	4,293	35,384	38,494	105,891	22,690	3,398	131,979	169,824
Travel, conference and meeting	1,034	2,534	3,347	6,071	49,435	62,421	769	309	63,499	56,772
Occupancy	3,357	1,493	1,330	2,602	2,906	11,688	6,898	2,314	20,900	21,991
Scholarships	-	16,568	-	-	-	16,568	-	-	16,568	20,234
Information technology	6,487	2,096	502	8,881	1,273	19,239	1,551	1,046	21,836	16,507
Office expense	3,757	2,146	623	1,395	1,499	9,420	2,341	1,520	13,281	13,650
Supplies and medicines	42,317	310	15	30	1,817	44,489	30	30	44,549	7,902
Marketing and outreach	2,168	1,414	904	800	660	5,946	623	7,412	13,981	7,356
Dues, subscriptions and fees	1,488	747	80	341	381	3,037	1,066	248	4,351	6,202
Insurance	1,243	711	178	355	355	2,842	1,869	355	5,066	5,023
Postage and delivery	354	202	57	101	174	888	557	1,837	3,282	2,164
Depreciation	234	234	-	110	282	860	-	-	860	715
Total expenses	<u>\$ 877,778</u>	<u>\$ 166,045</u>	<u>\$ 38,099</u>	<u>\$ 141,522</u>	<u>\$ 226,188</u>	<u>\$ 1,449,632</u>	<u>\$ 157,241</u>	<u>\$ 67,208</u>	<u>\$ 1,674,081</u>	<u>\$ 1,602,342</u>

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the Year Ended August 31, 2016

(With Comparative Totals for the Year Ended August 31, 2015)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 33,566	\$ (90,573)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	860	715
Unrealized (gains)/losses on investments	(195)	(3,692)
Changes in certain assets and liabilities:		
Pledges receivable	(540,050)	(16,650)
Prepaid expenses and other current assets	45,514	(27,200)
Security deposits	-	(2,590)
Accounts payable	1,186	(28,021)
Accrued payroll liabilities	6,578	3,661
Deferred revenue	-	(55,000)
Net cash provided (used) by operating activities	<u>(452,541)</u>	<u>(219,350)</u>
Cash flows from investing activities:		
Acquisition of intangible assets	(33,111)	(73,323)
Acquisition of fixed assets	-	(1,652)
Acquisition of investments	(10,062)	(9,161)
Disposition of investments	9,693	9,296
Net cash provided (used) by investing activities	<u>(33,480)</u>	<u>(74,840)</u>
Net increase (decrease) in cash during the period	(486,021)	(294,190)
Cash balance, beginning of period	<u>2,012,008</u>	<u>2,306,198</u>
Cash balance, end of period	<u>\$ 1,525,987</u>	<u>\$ 2,012,008</u>

The accompanying notes are an integral part of these financial statements.

Global Strategies
NOTES TO FINANCIAL STATEMENTS
August 31, 2016

NOTE 1 - GENERAL

A. Organization

Global Strategies (the Organization) is a nonprofit corporation that was formed in 1999. It was originally named Global Strategies for HIV Prevention. Following a merger with International Pediatric Outreach Project (IPOP) in 2013, the name was changed to Global Strategies. The merged organization changed its mission to: Global Strategies empowers communities in the most neglected areas of the world to improve the lives of women and children through healthcare.

B. Program Services

Prevention & Care

The Organization provides resources to local implementing partner organizations to deliver healthcare prevention and care services. The projects are tailored to the context and demonstrated needs of the patient population served by the field partner. Current projects are focused on the following areas:

- HIV prevention, voluntary counseling and HIV testing (VCT) and antiretroviral treatment and care delivery;
- Treatment of pregnant women with HIV;
- Post-rape healthcare;
- Newborn care;
- Malnutrition.

Education & Training

Africa as a region bears more than 24% of the global burden of disease but has access to only 3% of the world's health workers and less than 1% of the world's financial resources. The Organization addresses this critical shortage of healthcare workers by investing in a sustainable training model for frontline workers. The Organization works alongside field partners to identify critical needs and the innovative methods to address them, including training, modifying workflow or by facilitating access to essential tools and medications. Current projects are focused on the training of the following:

- Healthcare professionals - Doctors, Nurses, and clinical support staff;
- Community healthcare workers;
- Community leaders;
- Data manager;
- The Organization works alongside field partners to identify and address critical needs in healthcare worker training. Included in this approach is the design and implementation of innovative educational tools.

Public Issue Advocacy

Inequity and injustice motivate the Organization to advocate for change by amplifying the voices and needs of those served by the Organization. Current projects are focused on the following:

- Ethics In Health blog by Arthur Ammann, MD;
- Outreach to large international organizations to share care models for post-rape healthcare;
- Advocating for the inclusion of the care of preterm infants in global health efforts to reduce child mortality.

Global Strategies
NOTES TO FINANCIAL STATEMENTS
August 31, 2016

NOTE 1 - GENERAL (concluded)

B. Program Services (concluded)

Health & Technology

The Organization develops and implements innovative technological solutions that help its partners overcome the challenges of their limited resource settings. The Organization focuses on using simple and scalable technologies that allow healthcare providers to track their outcomes in real-time using cloud-based data collection software and analysis tools. The Organization helps their partners establish baseline data in neonatal mortality rates and stillbirth rates. Additionally, they use technology to track inventory of critical supplies and predict stock needs over time. The Organization also works to bridge the gap between care delivery and data collection by developing software programs that facilitate care delivery while simultaneously collecting data that guides resource allocation. The Organization is developing a neonatal decision support tool, called NoviGuide that will begin field testing this year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting and, therefore, include all support and revenues when earned and all expenses when incurred, regardless of whether the support and revenues or expenses were received or paid as of the end of the year.

B. Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis in conformity with U.S. generally accepted accounting principles. The statements are presented in accordance with the provisions of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 958-205), *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-210, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

C. Unrestricted Net Assets

Unrestricted net assets generally result from revenues obtained by providing services, receiving unrestricted contributions, and receiving interest and dividends from income-producing assets. The limitations on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization and the purposes specified in its Articles of Incorporation or Bylaws as well as the limits resulting from contractual agreements entered into by the Organization in the course of its operations.

D. Temporarily Restricted Net Assets

The Organization reports donations and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Global Strategies
NOTES TO FINANCIAL STATEMENTS
August 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

E. Use of Estimates

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles and include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

For purposes of reporting the statement of cash flows, cash and cash equivalents include cash on deposit with financial institutions and short-term marketable securities with a maturity of three months or less.

G. Pledges Receivable

The Organization accounts for pledges receivable in accordance with the recommendations of FASB ASC 958, *Accounting for Contributions and Presentation of Financial Statements*. Under FASB ASC 958, pledges receivable are either unconditional or conditional. Unconditional pledges are pledges that depend only on the passage of time or the demand by the pledge for performance. A conditional pledge is a pledge that depends on the occurrence of a specified future and uncertain event to bind the promisor. Unconditional pledges represent the remaining pledges due from the donors who have pledged funds to the Organization for use in its programs.

Pledges receivable that are expected to be collected after one year are discounted using the applicable federal rate. The Organization did not provide a reserve against pledges receivable and believes the amounts to be fully collectible.

H. Fixed Assets

The aggregate cost of assets over \$1,500 is capitalized in the statement of financial position. Fixed assets are stated at cost and depreciation is computed on the straight-line basis of accounting over the estimated useful lives of the assets. At present, fixed assets consist of computers, printers, and projectors, which are being depreciated over a three year period.

I. Contributions

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made*. In accordance with FASB ASC 958-605, contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

J. Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Organization carries commercial insurance.

Global Strategies
NOTES TO FINANCIAL STATEMENTS
August 31, 2016

NOTE 3 - INCOME TAXES

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from California franchise taxes under Section 23701(d) of the Revenue and Taxation Code and, therefore, has made no provision for Federal or California income taxes. 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 Code. The Organization is subject to routine audits by taxing jurisdictions; however, currently no uncertain tax positions were adopted and no audits for any tax periods are in progress.

NOTE 4 - CASH AND CASH EQUIVALENTS

The Organization maintains cash balances at two financial institutions. Cash balances at August 31, 2016 and August 31, 2015 consisted of \$2,012,009 and \$2,306,198, respectively. The corresponding bank balance was \$2,011,686 for 2016 and \$2,300,621 for 2015. Accounts at the financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The remaining balances were uninsured and held by the financial institution in the Organization’s name. The risk is managed by maintaining all deposits in highly reputable financial institutions.

NOTE 5 - PLEDGES RECEIVABLE

As of August 31, 2016 and 2015, the Organization has remaining uncollected pledges receivable totaling \$562,050 and \$22,000 from contributors. These revenues are restricted for program expenses and recorded as temporarily restricted net assets.

NOTE 6 - LONG-TERM INVESTMENTS

Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation. The fair value of the investments is generally based on published market prices and quotations from major investment firms. As of August 31, the investments are summarized below:

<u>Long-term investments:</u>	<u>2016</u>	<u>2015</u>
Account balances at beginning of period	\$ 124,324	\$ 120,770
Transfers in/deposits		
Stock donations	10,062	-
Unrealized gains (losses)	195	3,692
Dividends and interest	625	792
Transfers out/withdrawals:		
Dividends transferred out to money market	(625)	(930)
Stock donation sale proceeds transferred out to money market	(9,693)	-
Account balances at end of period	<u>\$ 124,888</u>	<u>\$ 124,324</u>

NOTE 7 - SUMMARY OF FAIR VALUE EXPOSURE

FASB ASC 820-10 and subsections, *Fair Value Measurements and Disclosures*, clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosures about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. The Organization has adopted FASB ASC 820-10 for its financial assets and liabilities measured on a recurring and nonrecurring basis.

Global Strategies
NOTES TO FINANCIAL STATEMENTS
 August 31, 2016

NOTE 7 - SUMMARY OF FAIR VALUE EXPOSURE (concluded)

FASB ASC 820-10 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.).

Level 3: Significant unobservable inputs (including the Organization's own assumptions in determining the fair value of investments).

The inputs and methodology used for valuing the Organization's financial assets and liabilities are not indicators of the risks associated with those investments.

The following table provides fair value measurement information for financial assets measured at fair value on a recurring basis as of August 31, 2016:

	Total Investment	Level 1	Level 2	Level 3
Corporate bonds	\$ 124,888	\$ 124,888	\$ -	\$ -
Total	<u>\$ 124,888</u>	<u>\$ 124,888</u>	<u>\$ -</u>	<u>\$ -</u>

The following table provides fair value measurement information for financial assets measured at fair value on a recurring basis as of August 31, 2015:

	Total Investment	Level 1	Level 2	Level 3
Corporate bonds	\$ 124,324	\$ 124,324	\$ -	\$ -
Total	<u>\$ 124,324</u>	<u>\$ 124,324</u>	<u>\$ -</u>	<u>\$ -</u>

As of August 31, 2016 and 2015, the investments balances classified to be Level 1 were \$124,888 and \$124,324, respectively.

NOTE 8 - FIXED ASSETS

Fixed assets as of August 31 are as follows:

	Years	2016	2015
Computer equipment	5	\$ 3,244	\$ 20,050
Less accumulated depreciation		<u>(2,326)</u>	<u>(18,272)</u>
Total fixed assets		<u>\$ 918</u>	<u>\$ 1,778</u>

Depreciation expense was \$860 and \$715 for the years ended August 31, 2016 and August 31, 2015, respectively.

Global Strategies
NOTES TO FINANCIAL STATEMENTS
 August 31, 2016

NOTE 9 - INTANGIBLE ASSETS

The Organization's intangible assets at August 31, 2016 and 2015 consist of work in progress of \$243,434 and \$210,323 for an E-book called NoviGuide. NoviGuide is a mobile device application that provides decision support for nurses caring for newborn babies. In 2014, the Organization received funding from the Tides Foundation for capacity building which the Organization used to construct the NoviGuide Application for its health and technology program. NoviGuide is still a work in progress and not subject to amortization in 2016 and 2015. Once in use the cost of NoviGuide will be amortized. Additional funding is being sought to complete this application.

NOTE 10 - RECLASSIFICATIONS

Certain reclassifications have been made to the 2015 financial statements in order to conform to the current year presentations. There have not been any changes to the total financial amounts as stated in the 2015 audit.

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of August 31 were available for the following purposes:

	<u>2016</u>	<u>2015</u>
Democratic Republic of the Congo	\$ 278,366	\$ 329,739
Liberia	78,736	178,000
Nigeria	7,859	17,000
Zimbabwe	-	5,000
Restricted to program but not to specific location	768,733	409,609
NoviGuide - intangible assets	<u>243,434</u>	<u>210,323</u>
Total	<u>\$ 1,377,128</u>	<u>\$ 1,149,671</u>

NOTE 12 - RELATED PARTY TRANSACTIONS

Relationship between PTBI, UCSF, Global Strategies, Dr. Theodore Ruel and Dr. Lisa Butler

In 2016, Global Strategies, a 501(c)(3), nonprofit organization, became a collaborating institution with the University of California San Francisco (UCSF) Preterm Birth Initiative (PTBI) for the purpose of studying NoviGuide, a digital aid for nurses taking care of babies. The NoviGuide software program assists nurses by asking a series of questions and, based on the answers, makes a recommendation on how to care for the baby using World Health Organization Guidelines. NoviGuide is in development by Global Strategies and is intellectual property of the Organization.

The following people are related to Global Strategies and have a role in the UCSF research study. None of these individuals are receiving payment for their work on this study:

- 1) Dr. Joshua Bress, President of Global Strategies is a co-investigator.
- 2) Dr. Theodore Ruel, a Global Strategies board member, is a co-investigator.
- 3) Dr. Lisa Butler is currently serving as a consultant for Global Strategies by providing expertise in technology implementation and research in Africa. She is also a co-investigator.

Global Strategies
NOTES TO FINANCIAL STATEMENTS
August 31, 2016

NOTE 12 - RELATED PARTY TRANSACTIONS (concluded)

At the conclusion of this study, the information obtained will inform the development of NoviGuide by providing: 1) Knowledge on how to align NoviGuide to local health guidelines in different countries that may differ from the World Health Organization guidelines. 2) Insight on how to incorporate NoviGuide into nurses' daily workflow and routines.

NOTE 13 - SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 10, 2017, the date the financial statements were available to be issued.