

GLOBAL STRATEGIES
ALBANY, CALIFORNIA

FINANCIAL STATEMENTS

AUGUST 31, 2015

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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, 2015, 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, 2015, 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' 2014 financial statements, and our report dated June 10, 2015, 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, 2014, 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
April 1, 2016

Global Strategies
STATEMENTS OF FINANCIAL POSITION
August 31, 2015
(With Comparative Totals for August 31, 2014)

	2015	2014
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents (Note 4)	\$ 2,012,008	\$ 2,306,198
Pledges receivable	22,000	5,350
Prepaid expenses and other current assets	72,283	45,083
Total current assets	2,106,291	2,356,631
Non-current assets:		
Long-term investments (Note 5)	124,324	120,770
Security deposits	2,590	-
Fixed assets, net of accumulated depreciation (Note 7)	1,778	840
Intangible assets (Note 8)	210,323	137,000
Total non-current assets	339,015	258,610
Total assets	\$ 2,445,306	\$ 2,615,241
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accrued expenses	\$ 15,004	\$ 39,366
Deferred revenue	-	55,000
Total current liabilities	15,004	94,366
Net assets - Exhibit A:		
Unrestricted	1,280,631	1,147,269
Temporarily restricted (Note 10)	1,149,671	1,373,606
Total net assets	2,430,302	2,520,875
Total liabilities and net assets	\$ 2,445,306	\$ 2,615,241

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

STATEMENTS OF ACTIVITIES

For the Year Ended August 31, 2015

(With Comparative Totals for the Year Ended August 31, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
Revenues and support:				
Support:				
Grants	\$ 119,200	\$ 1,055,271	\$ 1,174,471	\$ 907,000
Contributions	224,767	10,407	235,174	761,758
Fundraising events, net of direct costs (Note 11)	46,749	-	46,749	2,644
In-kind contributions	50,577	-	50,577	111,818
Revenues:				
Interest income/other	1,106	-	1,106	828
Net realized and unrealized gains and (losses) on investments	3,692	-	3,692	568
Net assets released from restrictions	<u>1,289,613</u>	<u>(1,289,613)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>1,735,704</u>	<u>(223,935)</u>	<u>1,511,769</u>	<u>1,784,616</u>
Expenses (Note 9):				
Program services	1,351,402	-	1,351,402	951,758
Management and general	160,980	-	160,980	152,011
Fundraising	<u>89,960</u>	<u>-</u>	<u>89,960</u>	<u>105,172</u>
Total expenses	<u>1,602,342</u>	<u>-</u>	<u>1,602,342</u>	<u>1,208,941</u>
Change in net assets	133,362	(223,935)	(90,573)	575,675
Net assets, beginning of period	<u>1,147,269</u>	<u>1,373,606</u>	<u>2,520,875</u>	<u>1,945,200</u>
Net assets, end of period	<u>\$ 1,280,631</u>	<u>\$ 1,149,671</u>	<u>\$ 2,430,302</u>	<u>\$ 2,520,875</u>

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

Global Strategies
STATEMENTS OF FUNCTIONAL EXPENSES
 For the Year Ended August 31, 2015
 (With Comparative Totals for the Year Ended August 31, 2014)

	Program Services					Total Program Services	Admin & General	Fundraising	2015 Total	2014 Total
	Prevention and Care	Education and Training	Public Issue Advocacy	Health and Technology	Monitoring and Evaluation					
Expenses (Note 9):										
Grants to partners	\$ 621,272	\$ 161,792	\$ -	\$ 89,650	\$ 25,980	\$ 898,694	\$ -	\$ -	\$ 898,694	\$ 426,251
Salaries, payroll taxes, and benefits	34,173	38,034	14,702	47,598	65,330	199,837	118,033	56,413	374,283	325,767
Professional services	15,307	32,741	3,154	34,553	32,513	118,268	27,135	24,421	169,824	265,726
Travel, conference and meeting	1,402	17,207	5,043	508	30,829	54,989	1,082	701	56,772	70,880
Occupancy	3,991	2,390	747	2,612	2,435	12,175	6,948	2,868	21,991	16,908
Scholarships	-	20,234	-	-	-	20,234	-	-	20,234	12,160
Information technology	4,302	1,495	384	6,170	1,601	13,952	1,387	1,168	16,507	28,226
Office expense	4,270	1,647	326	1,789	1,962	9,994	2,540	1,116	13,650	18,800
Supplies and medicines	5,041	318	44	1,619	880	7,902	-	-	7,902	19,851
Marketing and outreach	1,405	2,192	1,616	203	83	5,499	506	1,351	7,356	7,744
Dues, subscriptions and fees	2,071	876	100	601	318	3,966	826	1,410	6,202	3,242
Insurance	1,341	658	137	658	658	3,452	1,449	122	5,023	5,023
Postage and delivery	368	402	255	75	140	1,240	624	300	2,164	4,197
Telephone	85	115	-	115	170	485	450	90	1,025	3,635
Depreciation	249	249	-	37	180	715	-	-	715	531
Total expenses	<u>\$ 695,277</u>	<u>\$ 280,350</u>	<u>\$ 26,508</u>	<u>\$ 186,188</u>	<u>\$ 163,079</u>	<u>\$ 1,351,402</u>	<u>\$ 160,980</u>	<u>\$ 89,960</u>	<u>\$ 1,602,342</u>	<u>\$ 1,208,941</u>

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

STATEMENTS OF CASH FLOWS

For the Year Ended August 31, 2015

(With Comparative Totals for the Year Ended August 31, 2014)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ (90,573)	\$ 575,675
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	715	531
Unrealized (gains)/losses on investments	(3,692)	(568)
Changes in certain assets and liabilities:		
Pledges receivable	(16,650)	5,350
Prepaid expenses and other current assets	(27,200)	(41,949)
Security deposits	(2,590)	-
Accrued expenses	(24,360)	35,388
Deferred revenue	<u>(55,000)</u>	<u>55,000</u>
Net cash provided (used) by operating activities	<u>(219,350)</u>	<u>629,427</u>
Cash flows from investing activities:		
Acquisition of intangible assets	(73,323)	(137,000)
Acquisition of fixed assets	(1,652)	-
Acquisition of investments	(9,161)	(122,224)
Disposition of investments	<u>9,296</u>	<u>2,022</u>
Net cash provided (used) by investing activities	<u>(74,840)</u>	<u>(257,202)</u>
Net increase (decrease) in cash during the period	(294,190)	372,225
Cash balance, beginning of period	<u>2,306,198</u>	<u>1,933,973</u>
Cash balance, end of period	<u>\$ 2,012,008</u>	<u>\$ 2,306,198</u>

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

Global Strategies
NOTES TO FINANCIAL STATEMENTS
August 31, 2015

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, 2015

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, 2015

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 a discount rate 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, 2015

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, 2015 and August 31, 2014 consisted of \$2,012,009 and \$2,306,198, respectively. The corresponding bank balance was \$2,011,686 for 2015 and \$2,300,621 for 2014. 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 - 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>2015</u>	<u>2014</u>
Account balances at beginning of period	\$ 120,770	\$ -
Transfers in/deposits	-	122,224
Unrealized gains (losses)	3,692	568
Realized capital gains (losses), net of fees	-	(21)
Dividends and interest	792	500
Transfers out/withdrawals	<u>(930)</u>	<u>(2,501)</u>
Account balances at end of period	<u>\$ 124,324</u>	<u>\$ 120,770</u>

NOTE 6 - 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, 2015

NOTE 6 - 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, 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>

The following table provides fair value measurement information for financial assets measured at fair value on a recurring basis as of August 31, 2014:

	Total Investment	Level 1	Level 2	Level 3
Corporate bonds	\$ 120,770	\$ 120,770	\$ -	\$ -
Total	<u>\$ 120,770</u>	<u>\$ 120,770</u>	<u>\$ -</u>	<u>\$ -</u>

As of August 31, 2015 and 2014, the investments balances classified to be Level 1 were \$124,324 and \$120,770, respectively.

NOTE 7 - FIXED ASSETS

Fixed assets as of August 31 are as follows:

	Years	2015	2014
Computer equipment	5	\$ 20,050	\$ 18,398
Less accumulated depreciation		<u>(18,272)</u>	<u>(17,558)</u>
Total fixed assets		<u>\$ 1,778</u>	<u>\$ 840</u>

Depreciation expense was \$715 and \$531 for the years ended August 31, 2015 and August 31, 2014, respectively.

Global Strategies
NOTES TO FINANCIAL STATEMENTS
August 31, 2015

NOTE 8 - INTANGIBLE ASSETS

The Organization's intangible assets at August 31, 2015 and 2014 consist of work in progress of \$210,323 and \$137,000 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 2015 and 2014. Once in use the cost of NoviGuide will be amortized. Additional funding is being sought to complete this application.

NOTE 9 - RECLASSIFICATIONS

Certain reclassifications have been made to the 2014 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 2014 audit.

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2015</u>	<u>2014</u>
Democratic Republic of the Congo	\$ 329,739	\$ 315,075
Liberia	178,000	-
Nigeria	17,000	-
Zimbabwe	5,000	10,950
Restricted to program but not to specific location	409,609	201,268
General program and capacity building	-	709,313
NoviGuide-intangible assets	<u>210,323</u>	<u>137,000</u>
Total	<u>\$ 1,149,671</u>	<u>\$ 1,373,606</u>

NOTE 11 - FUNDRAISING EVENTS

The Organization held a fundraising event in the fall of 2014. Detail revenue and expenses for this event are as follows:

Gross receipts:	
Underwriting grants	\$ 82,500
Contributions	55,327
Ticket sales	20,555
In-kind contributions	<u>2,328</u>
Total receipts	<u>160,710</u>
Direct costs:	
Facilities	16,150
Food and beverages	36,229
Food and beverages in-kind	2,328
Entertainment	3,257
Other direct costs	<u>55,997</u>
Total direct costs	<u>113,961</u>
Net fundraising event proceeds	<u>\$ 46,749</u>

Global Strategies
NOTES TO FINANCIAL STATEMENTS
August 31, 2015

NOTE 12 - SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 1, 2016, the date the financial statements were available to be issued.