

**GLOBAL STRATEGIES**  
**ALBANY, CALIFORNIA**

**FINANCIAL STATEMENTS**

**AUGUST 31, 2014**

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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, 2014, 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, 2014, 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' 2013 financial statements, and our report dated December 16, 2013, 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, 2013, 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  
June 10, 2015

Global Strategies  
STATEMENTS OF FINANCIAL POSITION  
August 31, 2014  
(With Comparative Totals for August 31, 2013)

	2014	2013
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents (Note 4)	\$ 2,306,198	\$ 1,933,973
Pledges receivable	5,350	10,700
Prepaid expenses and other current assets	45,083	3,134
Total current assets	2,356,631	1,947,807
Non-current assets:		
Long-term investments (Note 5)	120,770	-
Fixed assets, net of accumulated depreciation (Note 7)	840	1,371
Intangible assets (Note 8)	137,000	-
Total non-current assets	258,610	1,371
Total assets	\$ 2,615,241	\$ 1,949,178
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accrued expenses	\$ 39,364	\$ 3,978
Deferred revenue	55,000	-
Total current liabilities	94,364	3,978
Net assets - Exhibit A:		
Unrestricted	1,147,271	474,465
Temporarily restricted (Note 10)	1,373,606	1,470,735
Total net assets	2,520,877	1,945,200
Total liabilities and net assets	\$ 2,615,241	\$ 1,949,178

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

STATEMENTS OF ACTIVITIES

For the Year Ended August 31, 2014

(With Comparative Totals for the Year Ended August 31, 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
Revenue and support:				
Grants	\$ 122,880	\$ 784,120	\$ 907,000	\$ 161,190
Contributions	588,930	172,828	761,758	155,793
Fundraising	2,369	275	2,644	12,515
Interest income/other	667	161	828	12,267
In-kind contributions	111,818	-	111,818	38,889
Net realized and unrealized gains and (losses) on investments	568	-	568	(9,815)
Net assets released from restrictions	<u>1,054,513</u>	<u>(1,054,513)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,881,745</u>	<u>(97,129)</u>	<u>1,784,616</u>	<u>370,839</u>
Expenses (Note 9):				
Program services	951,758	-	951,758	1,112,141
Management and general	152,009	-	152,009	176,666
Fundraising	<u>105,172</u>	<u>-</u>	<u>105,172</u>	<u>157,540</u>
Total expenses	<u>1,208,939</u>	<u>-</u>	<u>1,208,939</u>	<u>1,446,347</u>
Change in net assets	672,806	(97,129)	575,677	(1,075,508)
Net assets, beginning of period	474,465	1,470,735	1,945,200	2,948,605
Net assets adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,103</u>
Net assets, beginning of period as restated	<u>474,465</u>	<u>1,470,735</u>	<u>1,945,200</u>	<u>3,020,708</u>
Net assets, end of period	<u>\$ 1,147,271</u>	<u>\$ 1,373,606</u>	<u>\$ 2,520,877</u>	<u>\$ 1,945,200</u>

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

## Global Strategies

Exhibit BSTATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended August 31, 2014

(With Comparative Totals for the Year Ended August 31, 2013)

	Program Services					Total Program Services	Administration and General		2014 Total	2013 Total
	Prevention and Care	Education and Training	Public Issue Advocacy	Health and Technology	Monitoring and Evaluation		Fundraising			
Expenses (Note 9):										
Program support	\$ 321,765	\$ 55,484	\$ -	\$ 49,002	\$ -	\$ 426,251	\$ -	\$ -	\$ 426,251	\$ 712,657
Salaries and benefits	38,620	57,533	19,740	4,833	33,976	154,702	105,470	41,858	302,030	322,516
Professional services	20,489	125,900	-	33,190	28,965	208,544	15,749	41,433	265,726	202,975
Travel	3,567	16,332	2,872	-	45,958	68,729	383	1,768	70,880	46,040
Computer expenses	2,742	7,863	2,547	496	6,683	20,331	6,209	1,686	28,226	6,362
Payroll taxes	2,951	4,635	1,861	400	2,651	12,498	7,714	3,525	23,737	24,932
Supplies and medicines	7,143	11,116	1,109	164	319	19,851	-	-	19,851	62,551
Occupancy	2,544	2,882	1,490	414	1,448	8,778	6,301	1,829	16,908	13,473
Scholarships and sensitization	-	12,160	-	-	-	12,160	-	-	12,160	-
Office equipment	826	1,523	426	2,014	1,816	6,605	2,513	430	9,548	2,084
Office supplies	1,527	1,663	1,096	-	657	4,943	3,586	723	9,252	10,008
Fundraising newsletter, website and events	-	-	-	-	-	-	-	7,744	7,744	28,328
Insurance	244	2,744	122	-	122	3,232	1,669	122	5,023	2,603
Postage and delivery	210	290	377	-	170	1,047	140	3,010	4,197	3,692
Telephone	437	412	552	36	227	1,664	1,780	191	3,635	3,472
Miscellaneous	933	481	-	10	468	1,892	495	853	3,240	4,433
Depreciation	-	-	-	-	531	531	-	-	531	221
Total expenses	<u>\$ 403,998</u>	<u>\$ 301,018</u>	<u>\$ 32,192</u>	<u>\$ 90,559</u>	<u>\$ 123,991</u>	<u>\$ 951,758</u>	<u>\$ 152,009</u>	<u>\$ 105,172</u>	<u>\$ 1,208,939</u>	<u>\$ 1,446,347</u>

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

STATEMENTS OF CASH FLOWS

For the Year Ended August 31, 2014

(With Comparative Totals for the Year Ended August 31, 2013)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 575,677	\$ (1,075,508)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Net assets adjustment (Note 11)	-	72,103
Depreciation	531	221
Unrealized (gains)/losses on investments	(568)	9,815
Changes in certain assets and liabilities:		
Pledges receivable	5,350	6,100
Prepaid expenses and other current assets	(41,949)	(1,109)
Accrued expenses	35,386	593
Deferred revenue	<u>55,000</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>629,427</u>	<u>(987,785)</u>
Cash flows from investing activities:		
Acquisition of intangible assets	(137,000)	-
Acquisition of fixed assets	-	(1,592)
Acquisition of investments	(122,224)	(14,203)
Disposition of investments	<u>2,022</u>	<u>2,834,909</u>
Net cash provided (used) by investing activities	<u>(257,202)</u>	<u>2,819,114</u>
Net increase (decrease) in cash during the period	372,225	1,831,329
Cash balance, beginning of period	<u>1,933,973</u>	<u>102,644</u>
Cash balance, end of period	<u>\$ 2,306,198</u>	<u>\$ 1,933,973</u>

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

Global Strategies  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2014

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 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;
- Prevention of Mother to Child HIV Transmission (PMTCT);
- 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;
- Sensitization of the local population in the communities where the Organization works.

**Public Issue Advocacy**

Inequity and injustice motivates the Organization to advocate for change by amplifying the voices and needs of those they serve.

Current projects are focused on the following:

- Ethics In Health blog by Arthur Ammann, MD;
- TREAT ALL campaign to urge the World Health Organization to change their HIV treatment guidelines to be consistent with the US Health and Human Services' guidelines.

Global Strategies  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2014

NOTE 1 - GENERAL (concluded)

B. Program Services (concluded)

**Health & Technology**

The Organization develops and implements innovative technological solutions that help their 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, 2014

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, 2014

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 one financial institution. Cash balances at August 31, 2014 and August 31, 2013 consisted of \$2,306,198 and \$1,933,973, respectively. The corresponding bank balance was \$2,300,621 for 2014 and \$1,976,007 for 2013. 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. It is the opinion of management that the solvency of the financial institution is not of particular concern at this time.

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>2014</u>	<u>2013</u>
Account balances as of 8/31/13	\$ -	\$ 2,830,521
Transfers in/deposits	122,224	2,239
Unrealized gains (losses)	568	10,825
Realized capital gains (losses), net of fees	(21)	(20,640)
Dividends and interest	500	11,964
Transfers out/withdrawals	<u>(2,501)</u>	<u>(2,834,909)</u>
Account balances as of 8/31/14	<u>\$ 120,770</u>	<u>\$ -</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, 2014

NOTE 6 - SUMMARY OF FAIR VALUE EXPOSURE (continued)

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, 2014:

	Total Investment	Level 1	Level 2	Level 3
Corporate bonds	\$ 120,770	\$ 120,770	\$ -	\$ -
Total	\$ 120,770	\$ 120,770	\$ -	\$ -

As of August 31, 2014 and 2013, the investments balances classified to be Level 1 were \$120,770 and \$0, respectively.

NOTE 7 - FIXED ASSETS

Fixed assets as of August 31 are as follows:

	Years	2014	2013
Computer equipment	5	\$ 18,398	\$ 18,398
Less accumulated depreciation		(17,558)	(17,027)
Total fixed assets		\$ 840	\$ 1,371

Depreciation expense was \$531 and \$221 for the years ended August 31, 2014 and August 31, 2013, respectively.

NOTE 8 - INTANGIBLE ASSETS

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

Global Strategies  
NOTES TO FINANCIAL STATEMENTS  
August 31, 2014

NOTE 9 - FUNCTIONAL EXPENSES

Directly identifiable expenses are charged to program services. Expenses related to more than one function are charged to program services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2014</u>	<u>2013</u>
Democratic Republic of the Congo	\$ 315,075	\$ 91,758
Liberia	-	75
India	-	1,300
Zimbabwe	10,950	5,950
Tides Foundation	709,313	1,226,083
Partners and Funds	201,268	145,569
Grant funded intangible assets	<u>137,000</u>	<u>-</u>
Total	<u>\$ 1,373,606</u>	<u>\$ 1,470,735</u>

NOTE 11 - NET ASSETS ADJUSTMENT

The Organization merged with the International Pediatric Outreach Project (IPOP) on December 31, 2012. IPOP is a California nonprofit corporation exempt from income tax under Section 501(c)(3) of the United States Internal Revenue Code. IPOP's business is comprised of assisting in the amelioration of global childhood disease and poverty in developing countries through medical, educational and technological means. The parties' merger was to reduce the combined operation expenses of IPOP and the Organization by eliminating duplicative or overlapping administrative and other overhead costs, to increase aggregate contributions to IPOP and the Organization by unifying fundraising efforts, and to allow more effective execution of the functions of each organization. The Organization was the surviving corporation and IPOP was the disappearing corporation in the Merger. At December 31, 2013, the Organization's net assets were adjusted to include IPOP's only remaining asset; cash in the amount of \$72,103.

NOTE 12 - SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 10, 2015, the date the financial statements were available to be issued.