

**CONSOLIDATED FINANCIAL STATEMENTS**

**GLOBAL GIVING FOUNDATION, INC.  
AND SUBSIDIARIES**

**FOR THE YEAR ENDED DECEMBER 31, 2010**

# GLOBALGIVING FOUNDATION, INC. AND SUBSIDIARIES

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**GELMAN, ROSENBERG & FREEDMAN**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
GlobalGiving Foundation, Inc. and Subsidiaries  
Washington, D.C.

We have audited the accompanying consolidated statement of financial position of the GlobalGiving Foundation, Inc. and Subsidiaries as of December 31, 2010, and the related consolidated statements of activities and change in net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the GlobalGiving Foundation, Inc. and Subsidiaries' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Except as discussed in the following paragraph, 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 consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the GlobalGiving Foundation, Inc. and Subsidiaries' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were unable to obtain audited financial statements of GlobalGiving UK, subsidiary, which reflects total assets of \$380,952, total revenue of \$1,041,711 and total expenses of \$607,604. GlobalGiving UK's audit report was unavailable at the time this report was issued.

In our opinion, except for the financial position and results of operations of GlobalGiving UK, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the GlobalGiving Foundation, Inc. and Subsidiaries as of December 31, 2010, and their consolidated change in net assets and their consolidated cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Gelman Rosenberg & Freedman*

August 19, 2011

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814  
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRFCPA.COM

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**GLOBALGIVING FOUNDATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2010**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 4,247,075
Accounts receivable	1,051,513
Prepaid expenses and other assets	<u>28,933</u>
Total current assets	<u>5,327,521</u>

**FIXED ASSETS**

Fixed assets, net of accumulated depreciation and amortization of \$211,864 (Note 9)	<u>227,485</u>
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**OTHER ASSETS**

Note receivable, related party (Note 2)	50,625
Deposit	<u>16,413</u>
Total other assets	<u>67,038</u>

**TOTAL ASSETS** \$ 5,622,044

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses (Note 6)	\$ 201,721
Accrued payroll liabilities	133,071
Deposit	27,535
Refundable advances	<u>303,423</u>
Total current liabilities	665,750

**NON-CURRENT LIABILITIES**

Deferred rent (Note 8)	<u>87,018</u>
Total liabilities	<u>752,768</u>

**NET ASSETS**

Unrestricted:	
Unrestricted	886,486
Non-controlling interest (Note 7)	<u>860</u>
Total unrestricted net assets	887,346

Temporarily restricted (Note 3)	<u>3,981,930</u>
Total net assets	<u>4,869,276</u>

**TOTAL LIABILITIES AND NET ASSETS** \$ 5,622,044

## GLOBALGIVING FOUNDATION, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE</b>			
Grants	\$ 907,500	\$ 384,280	\$ 1,291,780
Project contributions	1,148,380	10,119,519	11,267,899
Professional services	1,456,252	-	1,456,252
Interest income	21,228	-	21,228
Contributed services (Note 5)	151,109	-	151,109
Other revenue	139,878	-	139,878
Net assets released from donor restrictions (Note 4)	<u>9,886,040</u>	<u>(9,886,040)</u>	<u>-</u>
Total revenue	<u>13,710,387</u>	<u>617,759</u>	<u>14,328,146</u>
<b>EXPENSES</b>			
Project distributions	9,671,965	-	9,671,965
Salaries and benefits	2,755,526	-	2,755,526
Professional fees and services	431,939	-	431,939
General and administration	145,921	-	145,921
Legal and registration fees	387,289	-	387,289
Telephone	24,274	-	24,274
Travel	117,966	-	117,966
Rent (Note 8)	176,084	-	176,084
Office supplies, printing and reproduction	66,338	-	66,338
Depreciation and amortization	78,146	-	78,146
Insurance	5,208	-	5,208
Other	<u>69,191</u>	<u>-</u>	<u>69,191</u>
Total expenses	<u>13,929,847</u>	<u>-</u>	<u>13,929,847</u>
Change in net assets before income tax expense	(219,460)	617,759	398,299
Income tax expense (Note 6)	<u>(72,000)</u>	<u>-</u>	<u>(72,000)</u>
Change in net assets	(291,460)	617,759	326,299
Net assets at beginning of year, as restated (Note 13)	<u>1,178,806</u>	<u>3,364,171</u>	<u>4,542,977</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 887,346</u></b>	<b><u>\$ 3,981,930</u></b>	<b><u>\$ 4,869,276</u></b>

See accompanying notes to consolidated financial statements.

## GLOBALGIVING FOUNDATION, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 326,299
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation and amortization	78,146
Loss on disposal of fixed assets	2,571
(Increase) decrease in:	
Accounts receivable	(431,711)
Prepaid expenses and other assets	(431)
Note receivable, related party	(104)
Deposit	24
Increase (decrease) in:	
Accounts payable and accrued expenses	(81,083)
Accrued payroll liabilities	73,460
Deposit	(34,443)
Refundable advances	(34,077)
Deferred rent	<u>26,645</u>
Net cash used by operating activities	<u>(74,704)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of fixed assets	(53,574)
Proceeds from sale of fixed assets	<u>201</u>
Net cash used by investing activities	<u>(53,373)</u>
Net decrease in cash and cash equivalents	(128,077)
Cash and cash equivalents at beginning of year	<u>4,375,152</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 4,247,075</u></b>

## GLOBALGIVING FOUNDATION, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2010

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

##### Organizations -

GlobalGiving Foundation, Inc. (the Foundation) helps U.S. and non-US based entities access philanthropic capital by making the connections between donors and implementers of charitable programs more efficient, more transparent, and therefore more likely. By providing a secure and transparent environment for giving, The Foundation simultaneously fosters social innovation by enabling new and unproven ideas to have a chance at success, and enables individuals and corporations to maximize their global philanthropy. The Foundation functions as a charitable not-for-profit, nonstock corporation and has one class of voting members, which comprise the Board of Directors, consisting of five members. The affairs and management of the Foundation are under the control of the Board of Directors.

ManyFutures, Inc. (the Corporation), a majority owned subsidiary of the Foundation is a Delaware taxable for-profit corporation formed to provide website and consulting services relating to international philanthropy. Although the Corporation is inactive operationally, it holds the trademarks and a portion of the Intellectual Property that supports the Foundation's efforts to enable individuals and companies to find and support high-impact, grassroots social and economic development projects around the world. Donors may communicate with the social entrepreneurs who run these projects and receive reports from the field.

GlobalGiving UK (GG UK), a majority owned subsidiary of the Foundation is an England and Wales registered charity under the English law and is limited by guarantee. GG UK's charitable objects are to advance any purpose which is deemed to be exclusively charitable under English law. GG UK's principal activity is running the GlobalGiving.co.uk website, which enables individuals to support a range of charitable projects from all over the world, run by charities of all sizes based either overseas or in the UK. Donors to a specific project are automatically updated with the latest progress reports, therefore able to see the direct impact on the communities concerned.

The year-end for GG UK is March 31, 2011. There is minimal activity in GG UK from January 1, 2011 to March 31, 2011. Therefore, the Consolidated Statement of Activities and Change in Net Assets is presented for GG UK for the year ending March 31, 2011.

##### Basis of presentation -

The accompanying consolidated financial statements are prepared on the accrual basis of accounting, which presents the financial position, activities and change in net assets and cash flows in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*.

##### Basis of consolidation -

The accompanying consolidated financial statements reflect the activity of GlobalGiving Foundation, Inc. and its majority owned subsidiaries, ManyFutures, Inc. and GlobalGiving UK. All intercompany transactions have been eliminated during consolidation.

##### Cash and cash equivalents -

The GlobalGiving Foundation, Inc. and Subsidiaries consider all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

**GLOBALGIVING FOUNDATION, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Cash and cash equivalents (continued) -

At times during the year, the GlobalGiving Foundation, Inc. and Subsidiaries maintain cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Restricted cash and cash equivalents -

The Foundation receives website donations on behalf of over 1,400 pre-screened projects and makes remittances to those organizations on behalf of the donors. The terms of the website operator require these funds to be segregated from the Foundation's other funds. As of December 31, 2010, these funds totaled \$3,191,880.

Accounts receivable -

Accounts receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of \$600 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to seven years. Leasehold improvements are amortized over five years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended December 31, 2010 totaled \$78,146.

Income taxes -

*The Foundation -*

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income as detailed in Note 6. The Foundation is not a private foundation.

*The Corporation -*

Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due, plus deferred taxes. Deferred income taxes are computed under the method as prescribed by FASB ASC 740-10 and 740-30, *Income Taxes*. Deferred income taxes arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. Deferred taxes are classified as current or non-current, depending on the classification of the assets and liabilities to which they relate. Temporary differences result principally from the use of different depreciation methods and different accounting methods for recognizing bad debts.

*GlobalGiving UK -*

GG UK is exempt from United Kingdom income tax and corporation tax, provided that the money is used solely for charitable purposes. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.



## GLOBALGIVING FOUNDATION, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2010

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

##### Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended December 31, 2010, the GlobalGiving Foundation, Inc. and Subsidiaries have documented their consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements. The Internal Revenue Service (IRS) is currently examining the Foundation's 2008 Federal tax return. The Foundation expects the examination to be completed within the next twelve months, and is not aware of any potential material adjustments that would affect its tax-exempt status.

##### Net asset classification -

The net assets of the GlobalGiving Foundation, Inc. and Subsidiaries are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Foundation and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statement of Activities and Change in Net Assets as net assets released from restrictions.

##### Contributions and grants -

Unconditional promises to give cash and other assets to the GlobalGiving Foundation, Inc. and Subsidiaries are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the donation is received. The donations or grants are reported as either temporarily or permanently restricted net assets 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 to unrestricted net assets and reported in the Consolidated Statement of Activities and Change in Net Assets as net assets released from restriction.

Grants and support receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Grant funding received in advance of incurring the related expenses is recorded as a refundable advance.

##### Contributed services -

Contributed services consist primarily of legal services. Contributed services are recorded at their fair market value as of the date of the gift.

**GLOBALGIVING FOUNDATION, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Use of estimates -

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Risks and uncertainties -

The GlobalGiving Foundation, Inc. and Subsidiaries depend primarily on donations and grants to carry on their charitable activities; consequently, any change in giving patterns would affect the GlobalGiving Foundation, Inc. and Subsidiaries' ability to fund its operations.

**2. RELATED PARTY TRANSACTIONS**

In July 2009, the Foundation loaned \$50,000 to a related organization. The annual interest rate is 2.5%. Interest is payable semi-annually in arrears on each June 30th and December 31st. The principal sum plus any unpaid interest is due June 30, 2014.

**3. TEMPORARILY RESTRICTED NET ASSETS**

The GlobalGiving Foundation, Inc. and Subsidiaries temporarily restricted funds are mostly comprised of donations received that will be used to provide benefits to specific charitable projects and have not yet been distributed to the sponsoring organizations.

Temporarily restricted net assets consisted of the following at December 31, 2010:

Program Restricted:	
Foundation projects	\$ 3,554,489
Guarantee reserve	4,467
Other programs	239,282
GG UK projects	<u>183,692</u>
	<b><u>\$ 3,981,930</u></b>

**4. NET ASSETS RELEASED FROM RESTRICTIONS**

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time), which satisfied the restricted purposes specified by the donors:

Program Restricted:	
Foundation project distributions	\$ 9,359,017
Fellowship	90
Other programs	162,999
GG UK projects	<u>338,934</u>
Total program restricted	9,861,040
Passage of Time	<u>25,000</u>
	<b><u>\$ 9,886,040</u></b>

**GLOBALGIVING FOUNDATION, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**5. CONTRIBUTED SERVICES**

During the year ended December 31, 2010, the GlobalGiving Foundation, Inc. and Subsidiaries were the beneficiary of donated services totaling \$151,109, utilized for the operations of the GlobalGiving Foundation, Inc. and Subsidiaries. Donated services for the year ended December 31, 2010 were as follows:

Donated legal services	\$ 143,880
Other donations	<u>7,229</u>
	<b><u>\$ 151,109</u></b>

The following programs have benefited from these donated services:

Program Expense	\$ 143,880
Fundraising	<u>7,229</u>
	<b><u>\$ 151,109</u></b>

**6. INCOME TAXES**

For the year ended December 31, 2010, the Foundation derived income from certain activities for which it has provisionally accrued unrelated business income taxes totaling \$72,000. This tax was comprised of \$50,000 Federal and \$22,000 State for the year ended December 31, 2010. The accrued income taxes for such unrelated business income is included in the accounts payable and accrued expenses in the accompanying Consolidated Statement of Financial Position.

For the year ended December 31, 2010, the Corporation incurred net operating losses and, accordingly, no provision for income taxes has been recorded. In addition, no benefit for income taxes has been recorded due to the uncertainty of the realization of any tax assets. At December 31, 2010, the Corporation had approximately \$8,674,000 of net operating losses. The net operating loss carryforwards, if not utilized, will expire through December 31, 2026.

The components of the Corporation's deferred tax assets/liabilities are depreciation and amortization, charitable contributions carryforwards and net operating loss carryforwards using the Federal and state statutory rates.

For financial reporting purposes, the Corporation has incurred a loss for the year ended December 31, 2010. Based on the available objective evidence, the Corporation provided for a full valuation allowance against its net deferred tax assets. As of December 31, 2010, the valuation allowance is approximately \$2,034,000.

**7. NON-CONTROLLING INTEREST**

The non-controlling interest consists of a 1.15 percent capital interest of the Corporation as of December 31, 2010.

GLOBALGIVING FOUNDATION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010

8. LEASE COMMITMENT

Effective October 1, 2009, the Foundation leased office space under a seventy-six month agreement, which originated in August 2009. Base rent is \$13,389 per month, plus a proportionate share of expenses, increasing by a factor of 4.5% per year.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Consolidated Statement of Financial Position.

The following is a schedule of the future minimum lease payments:

<u>Year Ended December 31,</u>	
2011	\$ 169,787
2012	177,427
2013	185,412
2014	193,755
2015	202,474
Thereafter	<u>17,436</u>
	<b><u>\$ 946,291</u></b>

Rent expense for the year ended December 31, 2010 totaled \$176,084. The deferred rent liability was \$87,018.

9. FIXED ASSETS

Fixed assets consisted of the following for the year ended December 31, 2010:

Furniture, fixtures, and computers	\$ 253,474
Software	159,332
Leasehold improvements	<u>26,543</u>
	439,349
Less: Accumulated depreciation and amortization	<u>(211,864)</u>
<b>FIXED ASSETS, NET</b>	<b><u>\$ 227,485</u></b>

10. OTHER FINANCIAL COMMITMENTS

GG UK is obligated to make payments back to Venturesome, based on a percentage between 0.83% and 5% of income. This is part of the Revenue Participation Right that Venturesome has purchased. These payments are variable and depend on GG UK's success and so have not been valued or included in the accompanying consolidated financial statements.

**GLOBALGIVING FOUNDATION, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**11. LINE OF CREDIT**

The Foundation has a \$200,000 bank line of credit. Amounts borrowed under this agreement bear interest at the bank's prime rate plus 0.25% (3.5% at December 31, 2010). As of December 31, 2010, there was no outstanding balance on the line of credit. The line is secured by cash and investments held in accounts at the same financial institution.

**12. FUNCTIONAL EXPENSES**

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The expenses of the GlobalGiving Foundation, Inc. and Subsidiaries, on a functional basis, are as follows at December 31, 2010:

	<u>Program Expense</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
Project distributions	\$ 9,671,965	\$ -	\$ -	\$ -	\$ 9,671,965
Salaries and benefits	1,932,836	452,976	369,714	822,690	2,755,526
Professional fees and services	303,448	61,037	67,454	128,491	431,939
General and administration	113,893	17,258	14,770	32,028	145,921
Legal and registration fees	242,337	95,655	49,298	144,953	387,290
Telephone	17,220	3,632	3,423	7,055	24,275
Travel	85,489	16,720	15,757	32,477	117,966
Rent	126,147	25,709	24,228	49,937	176,084
Office supplies, printing and reproduction	47,915	9,484	8,938	18,422	66,337
Depreciation and amortization	59,736	9,478	8,932	18,410	78,146
Insurance	4,257	489	461	950	5,207
Other	48,751	10,523	9,917	20,440	69,191
<b>TOTAL EXPENSES</b>	<b><u>\$12,653,994</u></b>	<b><u>\$ 702,961</u></b>	<b><u>\$ 572,892</u></b>	<b><u>\$ 1,275,853</u></b>	<b><u>\$13,929,847</u></b>
<b>PERCENT</b>	<b><u>91%</u></b>	<b><u>5%</u></b>	<b><u>4%</u></b>	<b><u>9%</u></b>	<b><u>100%</u></b>

**13. PRIOR PERIOD ADJUSTMENT**

GlobalGiving Foundation, Inc. and Subsidiaries has restated its Statement of Financial Position as of December 31, 2009 to reflect the consolidation of GG UK. During 2010, the Foundation clarified its relationship with GG UK. The Foundation is the sole member of GG UK in the United Kingdom. GG UK operates independently of the Foundation; however, the Foundation has authority to appoint the Board members of GG UK, and thus, is being accounted for on the consolidation basis. The effect of the change was to increase unrestricted net assets and temporarily restricted net assets by \$69,129 and \$113,030, respectively, as of December 31, 2009.

**GLOBALGIVING FOUNDATION, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**14. SUBSEQUENT EVENTS**

In preparing these consolidated financial statements, the GlobalGiving Foundation, Inc. and Subsidiaries have evaluated events and transactions for potential recognition or disclosure through August 19, 2011, the date the consolidated financial statements were issued.