

COHEN  
RUTHERFORD  
+ KNIGHT<sup>PC</sup>  
Certified Public Accountants



Audited Financial Statements  
**GlobalGiving Foundation, Inc.**

March 31, 2005

GlobalGiving Foundation, Inc.  
Audited Financial Statements  
March 31, 2005

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## Report of Independent Auditors

Board of Directors  
GlobalGiving Foundation, Inc.  
Bethesda, MD

We have audited the accompanying statements of financial position of GlobalGiving Foundation, Inc. (the Foundation) as of March 31, 2005 and 2004 and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 Foundation's 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 financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GlobalGiving Foundation, Inc. as of March 31, 2005 and 2004 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As further described in *Note C*, as of March 31, 2005, the Foundation has advanced \$1,624,391 (including accrued interest) to a for-profit organization. This organization has experienced a substantial loss from operations, and currently is not in a position to repay these advances to the Foundation.

*Cohen, Rutherford + Knight, P.C.*

June 22, 2005

GlobalGiving Foundation, Inc.  
 Statements of Financial Position  
 March 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<i>ASSETS</i>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 582,810	\$ 238,436
Accounts receivable	0	10,500
Prepaid expense	779	0
Due from Many Futures- <i>Note C</i>	22,806	0
<b>TOTAL CURRENT ASSETS</b>	<u>606,395</u>	<u>248,936</u>
<b>OTHER ASSETS</b>		
Other noncurrent assets	20,577	0
Convertible notes due from Many Futures- <i>Note C</i>	1,624,391	392,370
<b>TOTAL OTHER ASSETS</b>	<u>1,644,968</u>	<u>392,370</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,251,363</u>	<u>\$ 641,306</u>
<i>LIABILITIES AND NET ASSETS</i>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 19,936	\$ 2,565
Due to Many Futures- <i>Note C</i>	2,457	158,447
<b>TOTAL CURRENT LIABILITIES</b>	<u>22,393</u>	<u>161,012</u>
<b>NET ASSETS</b>		
Unrestricted	1,939,576	405,217
Temporarily restricted- <i>Note B</i>	289,394	75,077
<b>TOTAL NET ASSETS</b>	<u>2,228,970</u>	<u>480,294</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 2,251,363</u>	<u>\$ 641,306</u>

See notes to the financial statements

GlobalGiving Foundation, Inc.  
 Statements of Activities and Changes in Net Assets  
 Years ended March 31, 2005 and 2004

	2005			2004		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUE</b>						
Contributions and grants	\$ 1,660,000	\$ 694,358	\$ 2,354,358	\$ 404,000	\$ 75,077	\$ 479,077
Professional services	60,350	0	60,350	10,500	0	10,500
Interest income	57,021	0	57,021	7,370	0	7,370
Net assets released from restriction used in operations	480,041	(480,041)	0	0	0	0
<b>TOTAL REVENUE</b>	<b>2,257,412</b>	<b>214,317</b>	<b>2,471,729</b>	<b>421,870</b>	<b>75,077</b>	<b>496,947</b>
<b>EXPENSES</b>						
Program expenses	415,182	0	415,182	0	0	0
Salaries and benefits	86,004	0	86,004	0	0	0
Professional services	92,399	0	92,399	9,450	0	9,450
Commissions	64,859	0	64,859	0	0	0
Legal and registration fees	42,749	0	42,749	4,947	0	4,947
Travel	8,903	0	8,903	300	0	300
General and administrative	6,081	0	6,081	1,066	0	1,066
Rent	4,914	0	4,914	0	0	0
Office supplies	1,193	0	1,193	158	0	158
Insurance	769	0	769	732	0	732
<b>TOTAL EXPENSES</b>	<b>723,053</b>	<b>0</b>	<b>723,053</b>	<b>16,653</b>	<b>0</b>	<b>16,653</b>
<b>CHANGES IN NET ASSETS</b>	<b>1,534,359</b>	<b>214,317</b>	<b>1,748,676</b>	<b>405,217</b>	<b>75,077</b>	<b>480,294</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>405,217</b>	<b>75,077</b>	<b>480,294</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 1,939,576</b>	<b>\$ 289,394</b>	<b>\$ 2,228,970</b>	<b>\$ 405,217</b>	<b>\$ 75,077</b>	<b>\$ 480,294</b>

See notes to the financial statements

GlobalGiving Foundation, Inc.  
 Statements of Cash Flows  
 Years ended March 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<b>OPERATING ACTIVITIES AND OTHER GAINS</b>		
Change in net assets	\$ 1,748,676	\$ 480,294
Adjustment to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Decrease (increase) in:		
Accounts receivable	10,500	(10,500)
Due from Many Futures	(22,806)	0
Prepaid expense	(779)	0
Increase (decrease) in:		
Accounts payable	17,371	2,565
Due to Many Futures	(155,990)	158,447
<b>NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES</b>	<u>1,596,972</u>	<u>630,806</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(20,577)	0
Convertible notes issued	(1,252,598)	(392,370)
<b>NET CASH AND CASH EQUIVALENTS USED IN INVESTING ACTIVITIES</b>	<u>(1,252,598)</u>	<u>(392,370)</u>
<b>NET INCREASE IN CASH AND CASH AND CASH EQUIVALENTS</b>	344,374	238,436
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>238,436</u>	<u>0</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 582,810</u>	<u>\$ 238,436</u>

See notes to the financial statements

# GlobalGiving Foundation, Inc.

## Notes to the Financial Statements

### **Note A-Organization and Summary of Significant Accounting Policies**

#### *Organization*

GlobalGiving Foundation, Inc. (the Foundation) was organized to carry on charitable activities in developing countries that promote social and economic changes among poor and disadvantaged people and communities, and focus on, among other things, poverty alleviation, health, education, community development, promotion of the environment and sustainable energy. To achieve this result, the Foundation functions as a charitable not-for-profit, nonstock corporation which operates to support nonprofit organizations and others in the United States and foreign countries that directly conduct activities that support poverty alleviation, health, education, community development, promotion of the environment and sustainable energy. The Foundation has one class of voting members, which comprise the Board of Directors, consisting of four members. The affairs and management of the Foundation are under the control of the Board of Directors.

#### *Use of Estimates*

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

#### *Cash and Cash Equivalents*

Management considers all financial instruments with original maturities of less than ninety days to be cash and cash equivalents. Cash holdings in commercial banks routinely exceed the aggregate maximum of \$100,000 insured by the Federal Deposit Insurance Corporation.

#### *Unrestricted Funds*

The Foundation's unrestricted assets may be distributed at the discretion of the Board of Directors of the Foundation for uses consistent with the operation of the Foundation.

# GlobalGiving Foundation, Inc.

## Notes to the Financial Statements-Continued

### **Note A-Organization and Summary of Significant Accounting Policies-Continued**

#### *Temporarily Restricted Funds*

The Foundation receives donations and grants that are temporarily restricted as to use by the donor. Donors' temporary restrictions may require that resources be used in a later period, after a specified date, or for a specified purpose. These amounts are reported as a component of temporarily restricted net assets in the accompanying statements of financial position and statements of activities and changes in net assets. The Foundation's temporarily restricted funds are comprised of amounts that will be used to provide benefits to specific charitable projects and have not yet been distributed to the sponsoring organization (see *Note B*). For the years ended March 31, 2005 and 2004, the Foundation did not maintain any assets that were considered by management to be permanently restricted.

#### *Grants and Donor Restricted Donations*

Unconditional promises to give cash and other assets to the Foundation 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. At March 31, 2005 and 2004, no conditional pledges were receivable by the Foundation. The donations or grants are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restriction.

#### *Income Taxes*

The Foundation has been recognized by the Internal Revenue Service (IRS) as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes on related income pursuant to Section 501 (a) of the IRC. Because the Foundation is a newly created organization, the IRS has not made a final determination of the Foundation's status under section 509(a) of the IRC. However, the IRS has determined that the Foundation can reasonably be expected to be a publicly supported organization described in the section indicated above. Accordingly, the Foundation will be treated as a publicly supported organization, and not as a private foundation, during an advanced ruling period ending December 31, 2006.

#### *Reclassifications*

Certain amounts in the financial statements have been reclassified for comparative purposes.



# GlobalGiving Foundation, Inc.

## Notes to the Financial Statements-Continued

### Note B-Temporarily Restricted Net Assets

The Foundation's temporarily restricted funds are 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. The Foundation pays ManyFutures, Inc. a 10% commission on all donations received (see *Note C*). Temporarily restricted net assets consist of the following at March 31:

	<u>2005</u>	<u>2004</u>
Due to projects	287,396	\$ 64,755
Due to ManyFutures, Inc. (10% commission)	<u>1,998</u>	<u>10,322</u>
	<u>\$ 289,394</u>	<u>\$ 75,077</u>

### Note C-Related Party Transactions

The Foundation has entered into a fiscal administration agreement with ManyFutures, Inc. ManyFutures, Inc. provides the software/web platform that enables the Foundation to solicit funds from donors for the Foundation approved projects. The Foundation pays ManyFutures, Inc. a 10% commission on all donations received for the provision of services provided. Commissions totaled \$56,535 and \$10,322 for the years ended March 31, 2005 and 2004, respectively, and are reported as a component of temporarily restricted contributions and grants in the accompanying statements of activities and changes in net assets until they are paid out at which time they are reported as commissions expense in the accompanying statements of activities and changes in net assets.

One of the four members of the Foundation board has ownership interest in ManyFutures, Inc. and currently acts as the Chairman of the Board of ManyFutures, Inc. The Foundation's Vice President of Finance is also the Vice President of Finance for ManyFutures, Inc.

The Foundation has advanced \$1,624,391 and \$392,370 to ManyFutures, Inc. as of March 31, 2005 and 2004, respectively. The Foundation holds convertible notes related to funds advanced to ManyFutures, Inc. Interest on the unpaid balance of these notes accrues at the prime rate plus two percent per annum, adjusted annually. Interest income related to these notes was \$57,021 and \$7,370 in 2005 and 2004, respectively, and is reported as interest income in the accompanying statements of activities and changes in net assets.

Unless these notes are paid in full on or before the date of conversion, which ManyFutures, Inc. may do at its discretion without penalty, the entire unpaid balance of principal and all accrued interest shall be automatically converted into shares of preferred stock of ManyFutures, Inc. ManyFutures, Inc. has sustained a substantial loss from operations, and currently does not have the ability to repay the notes. Should the notes not be repaid and instead are converted into shares of

GlobalGiving Foundation, Inc.  
Notes to the Financial Statements-Continued

**Note C-Related Party Transactions-Continued**

preferred stock of ManyFutures, Inc., the value of the equity in ManyFutures, Inc. received by the Foundation may be substantially less than the carrying value of the convertible notes as of March 31, 2005, which would have a materially adverse impact on the Foundation's financial position, operating results and liquidity.

These convertible notes are reflected as noncurrent assets in the accompanying statement of financial position and consisted of the following at March 31:

	<u>2005</u>	<u>2004</u>
\$100,000 convertible note dated 9/15/03; interest rate, prime plus 2%; due on or before 9/16/08	\$ 109,986	\$ 103,296
\$95,000 convertible note dated 10/14/03; interest rate, prime plus 2%; due on or before 9/16/08	104,052	97,642
\$96,000 convertible note dated 1/30/04; interest rate, prime plus 2%; due on or before 9/16/08	103,263	96,962
\$94,000 convertible note dated 3/3/04; interest rate, prime plus 2%; due on or before 9/16/08	100,671	94,470
\$300,000 convertible note dated 5/30/04; interest rate, prime plus 2%; due on or before 09/15/08	315,342	0
\$275,000 convertible note dated 9/1/04; interest rate, prime plus 2%; due on or before 09/15/08	285,598	0
\$100,000 convertible note dated 12/1/04; interest rate, prime plus 2%; due on or before 9/15/08	102,354	0
\$500,000 convertible note dated 3/1/05; interest rate, prime plus 2%; due on or before 9/15/08	503,125	0
	<u>\$ 1,624,391</u>	<u>\$ 392,370</u>

During 2005, the Foundation advanced commissions to ManyFutures, Inc. totaling \$22,806, began subleasing office space from ManyFutures, Inc. and entered into subcontracting agreements with ManyFutures, Inc. to provide professional services. Related rent and professional fees expense totaled \$4,914 and \$44,315, respectively for the year ended March 31, 2005.