

COHEN
RUTHERFORD
+ KNIGHT^{PC}
Certified Public Accountants



Audited Financial Statements
GlobalGiving Foundation, Inc.

March 31, 2006

GlobalGiving Foundation, Inc.
Audited Financial Statements
March 31, 2006

-Contents-

Report of Independent Auditors.....	1
Statements of Financial Position.....	2
Statements of Activities and Changes in Net Assets.....	3
Statements of Cash Flows.....	4
Notes to the Financial Statements.....	5-9

Report of Independent Auditors

Board of Directors
GlobalGiving Foundation, Inc.
Washington, DC

We have audited the accompanying statements of financial position of GlobalGiving Foundation, Inc. (the Foundation) as of March 31, 2006 and 2005 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, 2006 and 2005 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, 2006, the Foundation has loaned \$3,158,486 (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 loans to the Foundation.

Cohen, Rutherford + Knight, P.C.

August 7, 2006

GlobalGiving Foundation, Inc.
Statements of Financial Position

	March 31,	
	<u>2006</u>	<u>2005</u>
<i>ASSETS</i>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,185,103	\$ 582,810
Accounts receivable	12,787	0
Prepaid expense and other current assets	25,148	779
Due from Many Futures- <i>Note C</i>	0	22,806
TOTAL CURRENT ASSETS	<u>1,223,038</u>	<u>606,395</u>
OTHER ASSETS		
Property, plant & equipment	61,780	20,577
Convertible notes due from Many Futures- <i>Note C</i>	3,158,486	1,624,391
TOTAL OTHER ASSETS	<u>3,220,266</u>	<u>1,644,968</u>
TOTAL ASSETS	<u>\$ 4,443,304</u>	<u>\$ 2,251,363</u>
<i>LIABILITIES AND NET ASSETS</i>		
CURRENT LIABILITIES		
Accounts payable	\$ 42,090	\$ 19,936
Payroll liabilities	2,126	0
Due to Many Futures- <i>Note C</i>	13,185	2,457
TOTAL CURRENT LIABILITIES	<u>57,401</u>	<u>22,393</u>
NET ASSETS		
Unrestricted	3,920,749	1,939,576
Temporarily restricted- <i>Note B</i>	465,154	289,394
TOTAL NET ASSETS	<u>4,385,903</u>	<u>2,228,970</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,443,304</u>	<u>\$ 2,251,363</u>

See notes to the financial statements

GlobalGiving Foundation, Inc.
 Statements of Activities and Changes in Net Assets

	March 31,					
	2006			2005		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE						
Grants	\$ 2,277,000	\$ 0	\$ 2,277,000	\$ 1,660,000	\$ 0	\$ 1,660,000
Project contributions	0	2,180,328	2,180,328	0	694,358	694,358
Professional services	152,500	0	152,500	60,350	0	60,350
Interest income	203,817	0	203,817	57,021	0	57,021
Net assets released from restriction used in operations	2,004,568	(2,004,568)	0	480,041	(480,041)	0
Other income	776	0	776	0	0	0
TOTAL REVENUE	4,638,661	175,760	4,814,421	2,257,412	214,317	2,471,729
EXPENSES						
Program expenses	1,817,540	0	1,817,540	415,182	0	415,182
Salaries and benefits	283,211	0	283,211	86,004	0	86,004
Professional services	224,980	0	224,980	92,399	0	92,399
Commissions	187,028	0	187,028	64,859	0	64,859
Legal and registration fees	47,609	0	47,609	42,749	0	42,749
Travel	20,298	0	20,298	8,903	0	8,903
General and administrative	60,815	0	60,815	6,081	0	6,081
Rent	12,922	0	12,922	4,914	0	4,914
Office supplies	890	0	890	1,193	0	1,193
Insurance	807	0	807	769	0	769
Depreciation	1,388	0	1,388	0	0	0
TOTAL EXPENSES	2,657,488	0	2,657,488	723,053	0	723,053
CHANGES IN NET ASSETS	1,981,173	175,760	2,156,933	1,534,359	214,317	1,748,676
NET ASSETS AT BEGINNING OF YEAR	1,939,576	289,394	2,228,970	405,217	75,077	480,294
NET ASSETS AT END OF YEAR	\$ 3,920,749	\$ 465,154	\$ 4,385,903	\$ 1,939,576	\$ 289,394	\$ 2,228,970

See notes to the financial statements

GlobalGiving Foundation, Inc.
 Statements of Cash Flows
 Years ended March 31, 2006 and 2005

	March 31,	
	<u>2006</u>	<u>2005</u>
OPERATING ACTIVITIES AND OTHER GAINS		
Change in net assets	\$ 2,156,933	\$ 1,748,676
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Decrease (increase) in:		
Accounts receivable	(12,787)	10,500
Due from Many Futures	22,806	(22,806)
Prepaid expense	(24,369)	(779)
Increase (decrease) in:		
Accounts payable	22,154	17,371
Payroll liabilities	2,126	0
Due to Many Futures	10,728	(155,990)
NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES	<u>2,177,591</u>	<u>1,596,972</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(41,203)	(20,577)
Convertible notes issued	(1,575,298)	(1,252,598)
NET CASH AND CASH EQUIVALENTS USED IN INVESTING ACTIVITIES	<u>(1,575,298)</u>	<u>(1,252,598)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	602,293	344,374
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>582,810</u>	<u>238,436</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,185,103</u>	<u>\$ 582,810</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 five 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 operations of the Foundation.

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

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

Temporarily and Permanently Restricted Funds

The Foundation receives donations and grants that are temporarily restricted as to use by donors. 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, 2006 and 2005, 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, 2006 and 2005, 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.

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>2006</u>	<u>2005</u>
Due to projects	436,110	287,396
Due to ManyFutures, Inc. (10% commission)	<u>29,044</u>	<u>1,998</u>
	<u>\$ 465,154</u>	<u>\$ 289,394</u>

Note C-Related Party Transactions

As further described below, the Foundation engages with ManyFutures, Inc. in four ways: Loans money to ManyFutures, Inc. via a convertible note structure, subcontracts certain client projects to ManyFutures, Inc., participates in shared services (such as rent) with ManyFutures, Inc., and pays ManyFutures, Inc. a 10% commission on most project donations it receives.

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 \$214,074 and \$56,535 for the years ended March 31, 2006 and 2005, respectively, and are reported as a component of temporarily restricted contributions in the accompanying statements of activities and changes in net assets until they are paid at which time they are reported as commissions expense in the accompanying statements of activities and changes in net assets.

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

The Foundation has loaned \$3,158,486 and \$1,624,391 to ManyFutures, Inc. as of March 31, 2006 and 2005, respectively. The Foundation holds convertible notes related to funds loaned 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 \$203,817 and \$57,021 in 2006 and 2005, respectively, and is reported as interest income in the accompanying statements of activities and changes in net assets.

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

Note C-Related Party Transactions-Continued

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 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, 2006, 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 statements of financial position and consisted of the following at March 31:

	<u>2006</u>	<u>2005</u>
\$100,000 convertible note dated 9/15/03; interest rate, prime plus 2%; due on or before 9/16/08	\$ 118,720	\$ 109,986
\$95,000 convertible note dated 10/14/03; interest rate, prime plus 2%; due on or before 9/16/08	112,408	104,052
\$96,000 convertible note dated 1/30/04; interest rate, prime plus 2%; due on or before 9/16/08	111,625	103,263
\$94,000 convertible note dated 3/3/04; interest rate, prime plus 2%; due on or before 9/16/08	108,689	100,671
\$300,000 convertible note dated 5/30/04; interest rate, prime plus 2%; due on or before 09/15/08	341,515	315,342
\$275,000 convertible note dated 9/1/04; interest rate, prime plus 2%; due on or before 09/15/08	308,279	285,598
\$100,000 convertible note dated 12/1/04; interest rate, prime plus 2%; due on or before 9/15/08	110,482	102,354
\$500,000 convertible note dated 3/1/05; interest rate, prime plus 2%; due on or before 9/15/08	542,184	503,125
\$500,000 convertible note dated 7/15/05; interest rate, prime plus 2%; due on or before 9/15/08	529,987	0
\$500,000 convertible note dated 10/1/05; interest rate, prime plus 2%; due on or before 9/15/08	519,033	0
\$350,000 convertible note dated 2/1/06; interest rate, prime plus 2%; due on or before 9/15/08	355,564	0
	<u>\$ 3,158,486</u>	<u>\$ 1,624,391</u>

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

Note C-Related Party Transactions-Continued

During 2006 and 2005, the Foundation advanced commissions to ManyFutures, Inc. totaling \$0 and \$22,806, began subleasing office space from ManyFutures, Inc. and entered into subcontracting agreements with ManyFutures, Inc. to provide professional services. Related rent expense totaled \$12,922 and \$4,914, for the years ended March 31, 2006 and 2005. Related professional fees expense totaled \$144,875 and \$44,315, for the years ended March 31, 2006 and 2005.

Note D-Functional Expenses

The Foundation was organized to carry on charitable activities in developing countries that promote social and economic changes. Expenses related to providing these services are as follows for the years ended March 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Program expenses	\$ 2,133,482	\$ 578,088
Fundraising expenses	376,765	121,888
General and administrative	147,241	23,077
	<u>\$ 2,657,488</u>	<u>\$ 723,053</u>