



GLOBAL HEALING

GLOBAL HEALING

Financial Statements

For the year ended
December 31, 2012

GLOBAL HEALING

(A California Not-For-Profit Corporation)

December 31, 2012

About Us

Global Healing is an English and American based charity dedicated to promoting health care reform in areas of the world where modern medical health care is not available. Global Healing aims for sustainable development of healthcare services, rather than short-term or emergency interventions. We have a solid record of achievements, having set up a self-sufficient pediatric and adult cardiac surgery unit, a neonatal intensive care unit, a pediatric outpatient clinic, and three blood banks. Global Healing currently has programs in the countries of Georgia, Armenia and Honduras, Dominica, Moldova and Nepal.

Our Model

Every program is executed with self-sufficiency as the primary goal. From self-sufficiency comes capacity building, long-term efficacy and the foundation on which to build. Global Healing works with all sectors of society: private businesses in the United States and abroad, local government, health-care providers, educators, and private citizens. Donations and volunteers provide the fuel for our programs. We do not limit our focus to one specific medical specialty, but remain open and adaptable to a variety of situations and their needs.

Our Promise

Global Healing's efforts are made possible by a group of caring individuals and dedicated organizations whose time and resources are highly valued by all beneficiaries. For this reason, we take any contribution very seriously, no matter the size. We realize that our success would not be possible without the many organizations and people that have come together over the years to serve and give. Our programs will be executed only in the most responsible, professional manner and will never be wasteful or self-serving.

Board of Directors and Staff

Name	Office
Cynthia Basso	Chair
Amy Cook	Chief Communications Officer
Carl Taibl	Chief Financial Officer
Dr. Chris Gresens	Director
Alice J. Gruber, RN	Director
Dr. Sheila Jenkins	Director
Dr. Arup Roy-Burman	Director
Amanda Wrench	Director
Luke Ifland	President

GLOBAL HEALING

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REGALIA & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

GLOBAL HEALING

(A California Not-For-Profit Corporation)
December 31, 2012

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MARIANNE RYAN, SENIOR AUDIT MANAGER
TRICIA WILSON, SENIOR AUDITOR
JANICE TAYLOR, CPA, SENIOR AUDITOR
WENDY THOMAS, CPA, SENIOR AUDITOR
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INDEPENDENT AUDITORS' REPORT

The Board of Directors Global Healing

We have audited the accompanying financial statements of Global Healing (a nonprofit organization) which comprise the statement of financial position as of December 31, 2012 and the related statements of activities and changes in net assets, cash flows and functional expenses 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 an opinion 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 entity'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 entity'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Global Healing as of December 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Danville, California
June 28, 2013*

Regalia & Associates

GLOBAL HEALING

Statement of Financial Position December 31, 2012

ASSETS

Current assets:	
Cash and cash equivalents	\$ 484,795
Investments	2,641,012
Prepaid expenses and other assets	<u>465</u>
Total current assets	<u>3,126,272</u>
	<u>\$ 3,126,272</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and accrued liabilities	\$ 1,139
Grants payable	<u>258,635</u>
Total current liabilities	<u>259,774</u>
Net assets:	
Unrestricted	<u>2,866,498</u>
Total net assets	<u>2,866,498</u>
	<u>\$ 3,126,272</u>

GLOBAL HEALING

**Statement of Activities and Changes in Net Assets
Year Ended December 31, 2012**

Changes in unrestricted net assets:

Revenue and support:	
Contributions and grants	\$ 23,968
In-kind contributions	114,143
Interest and dividends	86,568
Unrealized gains	219,601
	<hr/>
Total revenue and support	444,280
	<hr/>
Expenses:	
Program expenses	607,424
General and administrative	111,223
Fundraising	-
	<hr/>
Total expenses	718,647
	<hr/>
Decrease in net assets	(274,367)
Net assets at beginning of year	3,140,865
	<hr/>
Net assets at end of year	\$ 2,866,498
	<hr/>

GLOBAL HEALING

**Statement of Cash Flows
Year Ended December 31, 2012**

Operating activities:

Decrease in net assets	\$ (274,367)
Adjustments to reconcile to cash provided by (used for) operating activities:	
Changes in:	
Prepaid expenses and other assets	1,734
Accounts payable and accrued liabilities	(962)
Grants payable	(38,386)
Cash used for by operating activities	<u>(311,981)</u>

Investing activities:

Net proceeds from sale/reinvestment of investments	<u>342,872</u>
Cash provided by investing activities	<u>342,872</u>
Net increase in cash and cash equivalents	30,891
Cash and cash equivalents at beginning of year	<u>453,904</u>
Cash and cash equivalents at end of year	<u>\$ 484,795</u>

Additional cash flow information:

State registration taxes paid	<u>\$ 75</u>
Interest and finance charges paid	<u>\$ -</u>

GLOBAL HEALING

**Statement of Functional Expenses
Year Ended December 31, 2012**

	General and			
	Program	Admin-	Fund-	Total
	Services	istrative	raising	2012
Bank charges/processing fees	\$ -	\$ 563	\$ -	\$ 563
Education	30,099	-	-	30,099
Insurance	-	9,694	-	9,694
Investment fees	-	20,852	-	20,852
Legal and professional	21,208	3,998	-	25,206
Medical programs	243,849	-	-	243,849
Miscellaneous	5,070	2,539	-	7,609
Occupancy	9,715	3,238	-	12,953
Postage	3,925	680	-	4,605
Printing	1,302	2,426	-	3,728
Program grants	168,427	-	-	168,427
Salaries, wages and payroll taxes	93,752	62,468	-	156,220
Supplies and office	975	2,424	-	3,399
Telephone and internet	4,494	1,133	-	5,627
Translation services	4,551	-	-	4,551
Travel, meals and entertainment	20,057	1,208	-	21,265
Totals	\$ 607,424	\$ 111,223	\$ -	\$ 718,647

Notes to Financial Statements
December 31, 2012

1. Organization

Global Healing was established in 2002 as a California nonprofit corporation. Global Healing is dedicated to promoting health care reform in areas of the world where modern medical health care is not available. Global Healing aims for sustainable development of healthcare services, rather than short-term or emergency interventions.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of Global Healing have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958.205, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958.205, Global Healing 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. Global Healing has also adopted the provisions of ASC 958.320-45 regarding net asset classification of funds for organizations subject to UPMIFA (Uniform Prudent Management of Institutional Funds Act).

Support and Revenue Recognition

Global Healing records contributions in accordance with the recommendations of ASC 958.605, *Revenue Recognition of Not-for-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions, donations and grants restricted by the donor for particular purposes are deemed to be earned and are reported as revenue and support when Global Healing has incurred expenditures in compliance with the specific restrictions. Such amounts received or receivable but not yet earned are included as temporarily restricted net assets on the statements of financial position.

Cash and Cash Equivalents

Global Healing considers all highly liquid investments with a maturity commitment of 90 days or less when acquired to be cash equivalents. Global Healing maintains its cash balances in high quality financial institutions, which at times may exceed federally insured limits. Global Healing has not experienced any losses in such accounts.

Grants and Pledges Receivable

Grants and pledges receivable are recognized as unrestricted or temporarily restricted contributed revenue when the contractual obligation is received. It is Global Healing's policy that all receivables are reflected at estimated net realizable value. There were no receivables as of December 31, 2012.

(continued)

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included on the statements of activities and changes in net assets. Global Healing follows the provisions of ASC 958, *Fair Value Measurements and Disclosures* and has estimated the fair value of its investments using available market information and other valuation methodologies.

Accordingly, the estimates presented are not necessarily indicative of the amounts that Global Healing could realize in a current market exchange. The use of different assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. The estimates are based on pertinent information available to management as of December 31, 2012. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from the statements presented.

Global Healing's investment portfolio consists of a diverse mixture of funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by ASC 958.320-45, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. There were no such funds at December 31, 2012.

Global Healing has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Although it had no permanently restricted investment funds at December 31, 2012, Global Healing will classify any permanently restricted net assets it receives at the original value of gifts donated to the permanent endowment. The original value of subsequent gifts to the permanent endowment and accumulations to the permanent endowment will be posted in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets will be classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Global Healing in a manner consistent with the standard of prudence prescribed by SPMIFA.

Property and Equipment

It is the policy of Global Healing that property and equipment purchased will be stated at cost. Property and equipment donated to Global Healing is recorded at estimated fair value as of the date of the gift. Maintenance and repairs are charged to expense as incurred. Capitalized fixed assets will be depreciated using the straight-line method over the estimated useful lives of the assets.

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 certain reported amounts 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 reported period. Accordingly, actual results could differ from those estimates.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing Global Healing's various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

Financial statement presentation follows the recommendations of ASC 740, *Income Taxes*. Under ASC 740, Global Healing is required to report information regarding its exposure to various tax positions taken by Global Healing and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that it has adequately evaluated its current tax positions and has concluded that as of December 31, 2012, Global Healing does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

Global Healing has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that Global Healing continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status. Global Healing may periodically receive unrelated business income (such as sublease rental income) requiring Global Healing to file separate tax returns under federal and state statutes. Under such conditions, Global Healing calculates, accrues and remits the applicable taxes.

In-Kind Contributions

In-kind contributions are reflected at the fair value of the contribution received in accordance with ASC 958.605.30-11. The contributions of services, equipment, and other materials are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

3. Cash and Cash Equivalents and Concentration Risk

Cash and cash equivalents of \$484,795 at December 31, 2012 includes all funds in an investment brokerage account with maturity dates of three months or less. At December 31, 2012, cash and cash equivalents exceeded the federally insured limit of \$250,000. Global Healing attempts to limit its credit risk associated with cash balances by utilizing financial institutions that are well capitalized and highly rated.

Notes to Financial Statements

4. Investments

Investments consist principally of deposits, securities, corporate stocks, mutual funds, and corporate bonds. Cost basis and fair value of investments are summarized as follows at December 31, 2012:

	Cost Basis	Fair Value
Fixed income	\$ 265,000	\$ 473,852
Securities and corporate stocks	815,482	861,823
Mutual funds	1,131,855	1,092,767
Alternative investments	211,762	212,570
	\$ 2,424,099	\$ 2,641,012

Net investment income (interest and dividends) amounted to \$86,568 for the year ended December 31, 2012. During the year ended December 31, 2012, net unrealized gains amounted to \$219,601. Composition of investments utilizing fair value measurements at December 31, 2012 is as follows:

	Total	Level 1	Level 2	Level 3
Fixed income	\$ 473,852	\$ 473,852	\$ -	\$ -
Securities and corporate stocks	861,823	861,823		
Mutual funds	1,092,767	1,092,767	-	-
Alternative investments	212,570	-	-	212,570
Totals	\$ 2,641,012	\$ 2,428,442	\$ -	\$ 212,570

Fair value measurements establish a fair value hierarchy that prioritizes the input used to measure fair value. This hierarchy consists of three broad levels: (a) Level 1 measurement reflects the value of the investments at quoted prices in active markets for identical assets, generally without any adjustments, (b) Level 2 assets and liabilities are valued based on "observable inputs" other than quoted active market prices, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and interest rates and yield curves, and (c) Level 3 assets and liabilities are valued based on "unobservable inputs," such as a company's own estimates and pricing models. Assets Classified as Level 3: Alternative investments consists of securities principally offered through a brokerage prospectus and thus carry a higher level of risk than more traditional publicly-traded securities. The significant unobservable input used in the fair value measurement of the organization's alternative investments is based on the estimated value as determined by an outside investment firm.

5. Grants Payable

Grants payable of \$258,635 at December 31, 2012 represents funds approved by Global Healing's Board of Directors for medical programs which will be disbursed during the next fiscal year.

6. Lease

Global Healing leases its corporate office facility under a multi-year operating agreement expiring July 31, 2013. The lease requires a monthly payment of \$510 as of December 31, 2012. Global Healing is responsible for its share of utilities and common area maintenance expenses. Total rent expense amounted to \$12,953 for the year ended December 31, 2012.

Notes to Financial Statements

7. In-Kind Contributions

During the year ended December 31, 2012, Global Healing was the recipient of a substantial amount of in-kind contributions (principally medical equipment and related supplies in connection with its worldwide medical advocacy programs). In accordance with ASC 958.605.30, Global Healing has determined that the estimated value of these materials amounted to \$114,143. These amounts have been reflected as in-kind contributions and offsetting medial program expenses on the statement of functional expenses.

8. Pension Plan

Global Healing offers eligible employees the opportunity to participate in a salary reduction retirement plan which is qualified under Internal Revenue Code Section 403(b). The company, in its sole discretion, may make non-elective contributions on employees' behalf. Employees must meet certain eligibility criteria in order to receive contributions. Employer contributions for the year ended December 31, 2012 amounted to \$13,266. Distributions from the 403(b) plan can only be made pursuant to all applicable laws and regulations.

9. Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts and future funding agreements, which are not reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Grant restrictions and donor conditions which obligate Global Healing to fulfill certain requirements as set forth in grant instruments, (b) Funding levels which vary based on factors beyond Global Healing's control, such as generosity of donors and general economic conditions, (c) Employment and service agreements with key management personnel, including executive officers of the organization, and (d) Financial risks associated with funds on deposit in accounts at financial institutions. Certain of the grants and contracts are subject to adjustment upon review and final acceptance by the granting agency. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the financial statements.

10. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, Global Healing has evaluated subsequent events through June 28, 2013, the date the financial statements were available to be issued. Subsequent to December 31, 2012, Global Healing loaned \$1 million to the Jo-Ann Medical Center, a modern pediatric cardiac diagnosis, surgery and treatment center located in Tbilisi, Georgia. The loan bears interest at the fixed rate of 5.0% per annum, matures March 11, 2018, and is secured by a lien and security interest in the Medical Center. Accrued interest payments are due on June 30 and December 30 of each year. In the opinion of management, other than the note receivable described above, there are no other subsequent events which need to be disclosed.