

CROSSLINK INTERNATIONAL LTD.  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
SEPTEMBER 30, 2008

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## Independent Auditors' Report

To the Board of Directors  
Crosslink International, Ltd.

We have audited the accompanying statement of financial position of Crosslink International, Ltd. (a nonprofit organization) as of September 30, 2008 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Crosslink International, Ltd. as of September 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads 'Gurman &amp; Company, PLLC'. The signature is written in a cursive, flowing style.

Fairfax, Virginia  
September 18, 2009

CROSSLINK INTERNATIONAL LTD.  
STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2008

	<u>2008</u>
<b>ASSETS</b>	
Current Assets	
Cash and equivalents	\$ 35,377
Accounts receivable - net	45,216
Prepaid expenses	16,761
Security investments	<u>2,659</u>
Total Current Assets	<u>100,013</u>
Fixed Assets	
Furniture, equipment, and leasehold improvements	58,968
Accumulated depreciation	<u>(31,782)</u>
Net Fixed Assets	<u>27,186</u>
Other Assets	
Cash and equivalents - temporarily restricted	249,112
Trademark	750
Inventory of purchased and donated drugs, medical supplies and equipment	<u>580,349</u>
Total Other Assets	<u>830,211</u>
Total Assets	<u><u>\$ 957,410</u></u>
<b>LIABILITIES AND NET ASSETS</b>	
Current Liabilities	
Accounts payable and accrued expenses	\$ 29,707
Advances on future projects	<u>18,848</u>
Total Current Liabilities	<u>48,555</u>
Net Assets	
Unrestricted Net Assets	
Undesignated	9,689
Board designated	70,626
Unallocated drugs, medical supplies and equipment	<u>579,428</u>
Total Unrestricted Net Assets	<u>659,743</u>
Temporarily restricted	249,112
Total Net Assets	<u>908,855</u>
Total Liabilities and Net Assets	<u><u>\$ 957,410</u></u>

See accompanying notes to the financial statements.

CROSSLINK INTERNATIONAL LTD.  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED SEPTEMBER 30, 2008

	Unrestricted								
	General	Donated	and Medical	Total	Temporarily	Totals			
	Operating	Supplies	Unrestricted	Restricted	Restricted	Totals			
	Funds	Supplies	Unrestricted	Restricted	Restricted	Totals			
<b>Support and Revenue</b>									
Donated drugs, medical supplies and equipment (net of destruction in compliance with government regulations - \$56,084)	\$ -	\$ 3,476,454	\$ 3,476,454	\$ -	\$ -	\$ 3,476,454			
Contributions and grants	332,473	-	332,473	-	-	332,473			
Special events contributions (net of direct benefit cost - \$31,586)	208,080	-	208,080	-	-	208,080			
Sale of medicine and supplies (net of costs - \$203,588)	32,142	-	32,142	-	-	32,142			
Shipping and handling fee income	44,646	-	44,646	-	-	44,646			
Investment income (loss)	(369)	-	(369)	-	86,510	86,141			
<b>Total</b>	<b>616,972</b>	<b>3,476,454</b>	<b>4,093,426</b>	<b>86,510</b>	<b>86,510</b>	<b>4,179,936</b>			
Net assets released from restrictions	15,783	-	15,783	(15,783)	-	-			
<b>Total Support and Revenue</b>	<b>632,755</b>	<b>3,476,454</b>	<b>4,109,209</b>	<b>70,727</b>	<b>70,727</b>	<b>4,179,936</b>			
<b>Expenses</b>									
<b>Program services</b>									
Distribution to healthcare providers	212,786	3,554,699	3,767,485	-	-	3,767,485			
Collection and warehousing	210,615	-	210,615	-	-	210,615			
Interaction with other non-government humanitarian aid organizations	71,977	-	71,977	-	-	71,977			
<b>Total Program Services</b>	<b>495,378</b>	<b>3,554,699</b>	<b>4,050,077</b>	<b>-</b>	<b>-</b>	<b>4,050,077</b>			
<b>Supporting services</b>									
General administration	122,346	-	122,346	-	-	122,346			
Fundraising	52,706	-	52,706	-	-	52,706			
<b>Total Supporting Services</b>	<b>175,052</b>	<b>-</b>	<b>175,052</b>	<b>-</b>	<b>-</b>	<b>175,052</b>			
<b>Total Expenses</b>	<b>670,430</b>	<b>3,554,699</b>	<b>4,225,129</b>	<b>-</b>	<b>-</b>	<b>4,225,129</b>			
<b>Net Change in Net Assets</b>	<b>(37,675)</b>	<b>(78,245)</b>	<b>(115,920)</b>	<b>70,727</b>	<b>(45,193)</b>	<b>(45,193)</b>			
<b>Net Assets, Beginning of Year</b>	<b>117,990</b>	<b>657,673</b>	<b>775,663</b>	<b>178,385</b>	<b>178,385</b>	<b>954,048</b>			
<b>Net Assets, End of Year</b>	<b>\$ 80,315</b>	<b>\$ 579,428</b>	<b>\$ 659,743</b>	<b>\$ 249,112</b>	<b>\$ 249,112</b>	<b>\$ 908,855</b>			

See accompanying notes to the financial statements.

CROSSLINK INTERNATIONAL LTD.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED SEPTEMBER 30, 2008

	Program Services				Support Services			Total
	Distribution to Healthcare Providers	Collection and Warehousing	Interaction With Other NGO's	Total Program Services	General Admin.	Fund Raising		
Drugs and medical supplies	\$ 3,576,599	\$ -	\$ -	\$ 3,576,599	\$ -	\$ -	\$ 3,576,599	
Personnel								
Salaries	110,931	116,450	49,986	277,367	88,777	28,068	394,212	
Payroll taxes	8,296	8,709	3,738	20,743	6,639	2,099	29,481	
Fringe benefits	1,526	1,602	688	3,816	1,221	386	5,423	
Cost of occupancy	22,674	61,330	1,545	85,549	2,744	868	89,161	
Shipping	27,750	1,834	-	29,584	-	-	29,584	
Communications	4,819	5,059	2,172	12,050	3,857	1,219	17,126	
Promotion & convention	-	-	5,801	5,801	3,548	6,933	16,282	
Legal & audit	2,269	2,382	1,022	5,673	1,816	6,574	14,063	
Printing	2,210	2,320	2,334	6,864	1,768	2,693	11,325	
Depreciation & loss on abandoned assets	2,319	2,432	1,044	5,795	1,854	586	8,235	
Supplies	2,284	2,399	1,028	5,711	1,828	576	8,115	
Equipment rental & maintenance contracts	2,134	2,240	962	5,336	1,708	540	7,584	
Postage	1,376	1,444	620	3,440	1,101	907	5,448	
Insurance	1,262	1,325	569	3,156	1,010	319	4,485	
Dues & publications	914	961	413	2,288	733	907	3,928	
Bank & credit card fees	-	-	-	-	2,013	-	2,013	
Taxes	122	128	55	305	901	31	1,237	
Funds not collected on shipping & medicines	-	-	-	-	474	-	474	
Advertising	-	-	-	-	354	-	354	
<b>Total</b>	<b>\$3,767,485</b>	<b>\$ 210,615</b>	<b>\$ 71,977</b>	<b>\$4,050,077</b>	<b>\$ 122,346</b>	<b>\$ 52,706</b>	<b>\$4,225,129</b>	

See accompanying notes to the financial statements.

CROSSLINK INTERNATIONAL LTD.  
STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2008

	<u>2008</u>
Cash Flows from Operating Activities	
Decrease in net assets	<u>\$ (45,193)</u>
Adjustments to reconcile decrease in net income to net cash used by operating activities:	
Depreciation	5,959
Abandonment of property	2,276
Gain on sale of investment property	(78,893)
Donated drugs and medical supplies	(3,476,453)
Distribution of drugs and medical supplies	3,554,699
Increase in security investments from donation	(2,659)
Increase in accounts receivable	(32,784)
Increase in prepaid expenses	(6,124)
Decrease in purchased medicine inventory	2,166
Increase in accounts payable and accrued expenses	8,042
Decrease in advances on future projects	<u>(12,066)</u>
Total adjustments	<u>(35,837)</u>
Net Cash Used by Operating Activities	<u>(81,030)</u>
Cash Flow from Investing Activities	
Sale of investment property	228,893
Trademark	(300)
Cash payments for the purchase of property	<u>(9,953)</u>
Net Cash Provided by Investing Activities	<u>218,640</u>
Net Increase in Cash and Equivalents	137,610
Cash and Equivalents, Beginning of Year	<u>146,879</u>
Cash and Equivalents, End of Year	284,489
Less temporarily restricted cash	<u>(249,112)</u>
Cash and Equivalents, End of Year - Unrestricted	<u>\$ 35,377</u>

See accompanying notes to the financial statements

CROSSLINK INTERNATIONAL LTD.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of these financial statements follows:

1. Organization

Crosslink International, Ltd. was organized in the Commonwealth of Virginia in 1996. The Organization is organized exclusively for charitable purposes to distribute humanitarian aid such as medicines, medical supplies and equipment and other health care related materials to those in need. The Organization is supported primarily through cash contributions from individuals, medicines, medical supplies and equipment from the health care community.

2. Basis of Accounting

The accompanying financial statements were prepared on the accrual basis of accounting, whereby revenue is recognized when it is earned and expenses are recognized when they are incurred. The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, 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. As of September 30, 2008, all assets were unrestricted and temporarily restricted.

3. Cash and Equivalents

The Organization considers all highly liquid investments purchased with a maturity of twelve months or less to be cash equivalents.

4. Accounts Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The allowance is determined based on management's experience and collection efforts. The allowance for doubtful accounts at September 30, 2008 is \$8,170.

5. Inventories and Contributed Gifts in-Kind

The Organization receives most of its inventory from medical facilities, pharmaceutical distributors, and healthcare providers. The contributions are valued based on pricing available from medical supply lists or pharmaceutical price listings. The Organization warehouses this inventory, repackages, and then distributes upon specific project requests. The inventory as of September 30, 2008 includes \$921 of purchased drugs and \$579,428 of donated drugs, medical supplies and equipment.

CROSSLINK INTERNATIONAL LTD.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

7. Property and Equipment

Property and equipment are carried at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset. Assets donated with explicit restrictions regarding their use are reported as restricted contributions, reclassified to unrestricted net assets at the time donor restrictions are met or expire. Depreciation is computed using the straight-line method estimated useful lives ranging from three to seven years. Property no longer usable is written off in the year it is abandoned. The Organization's capitalization threshold is \$500.

8. Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. 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 Statement of Activities and Changes in Net Assets as net assets released from restriction. However, if restrictions on grants or contributions are met in the same reporting period as the grant or contribution is received, the revenues are reported as increases in unrestricted net assets. There were no temporarily restricted contributions as of September 30, 2008. There were no unconditional promises to give by contributors as of September 30, 2008.

Endowment contributions and investments are permanently or temporarily restricted by the donor. Investment earnings available for distribution are released in unrestricted net assets. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restrictions.

9. Contributed Services

During the year ended September 30, 2008, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, the Organization receives a substantial amount of services donated by its members and volunteers in carrying out its humanitarian functions. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under SFAS No. 116.

CROSSLINK INTERNATIONAL LTD.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Income Taxes

The Organization is a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

11. Advertising Costs

Advertising costs are expensed as incurred. These costs totaled \$354 in the year ended September 30, 2008.

12. Shipping Costs

Shipping costs are presented as program expenses, with reimbursements from USAID reported separately as revenues.

13. Functional Allocation of Expenses

The cost of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are charged directly to program or management in general categories based on specific identification. Indirect expenses have been allocated based on salary expenditures.

14. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B – INVESTMENTS

From time to time, investments are donated to the Organization. At September 30, 2008, the Organization held shares of stock with a market value of \$2,659, and had the following unrestricted investment returns:

Investment returns are summarized as follows:

Dividend income	\$ 603
Net unrealized loss	<u>(1,172)</u>
Total unrestricted investment loss	<u>\$ (369)</u>

The Organization recognized temporarily restricted investment income in the amount of \$86,510 which reflects the \$78,893 gain on sale from investment property, \$8,601 of interest income earned on the related note receivable that the buyer of the investment property paid during the year ended September 30, 2008, net of \$984 in related investment costs. The note receivable was fully paid off and had a zero balance at September 30, 2008.

CROSSLINK INTERNATIONAL LTD.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008

NOTE C – DISTRIBUTION OF DRUGS, MEDICAL SUPPLIES, AND EQUIPMENT

The Organization receives medicines, medical supplies and equipment in support of its humanitarian aid effort from medical facilities, pharmaceutical distributors, and healthcare providers. For the year ending September 30, 2008 distributions of \$3,767,485 were made for humanitarian aid purposes worldwide to support 394 medical projects in 60 countries including local free clinics in Northern Virginia. During the same period those medicines which expired were removed from inventory in compliance with government regulations. Donated inventory is priced using, predominantly, the wholesale catalog pricing of medicines, medical supplies and medical equipment donated. Medical supplies and medical equipment that is donated in a used condition has been written down to management's estimate of 50% of the wholesale catalog price to recognize the used condition.

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2008 consisted of the following:

Office equipment and software	\$ 48,359
Leasehold improvements	<u>10,609</u>
	58,968
Less accumulated depreciation	<u>(31,782)</u>
Net property and equipment	<u>\$ 27,186</u>

Depreciation expense was \$5,959.

NOTE E – ADVANCES AND GRANTS ON FUTURE PROJECTS

In support of medical mission trips, Crosslink has been awarded grants. Funds are expended specifically for trips related to specific areas and needs and any excess grant funds will be returned to the grantors.

CROSSLINK INTERNATIONAL LTD.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008

NOTE F - COMMITMENTS

The Organization leases warehouse space and office facilities under an operating lease. The warehouse and office facilities are leased under an agreement expiring January 31, 2012. Total lease expense was \$75,880 for 2008. In February 2009, the landlord agreed to a reduction of \$500 per month in the base rent.

Minimum future rental payments under this non-cancelable operating lease are as follows:

2009	\$ 74,140
2010	74,820
2011	77,820
2012	<u>26,280</u>
Total	<u>\$ 253,060</u>

The organization leases the telephone system, copier and postage machine under operating leases that terminate between 2009 and 2014. The total lease expense relating to this equipment was \$ 5,014 in 2008.

NOTE G - TEMPORARILY RESTRICTED NET ASSETS

Crosslink received a donation of \$260,000 in cash and investment property in August, 1998. The terms of the contribution are that the organization can use 4 % of the fund balance annually net of any fund costs. At the end of 15 years the balance of the fund becomes unrestricted. For the year ended September 30, 2008, \$15,783 was released from restrictions. The investment property was sold in October 2007 at a gain of \$78,893, which was recognized as temporarily restricted income in addition to \$7,617 of other investment earnings, as described in Note B. The net asset balance on hand at September 30, 2008 is \$249,112.

CROSSLINK INTERNATIONAL LTD.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008

NOTE H – BOARD DESIGNATION OF FUNDS

The Organization received contributions in memory of its first executive director in 1998. The Board has designated that these funds be used for making an award annually in connection with the Baptist Medical & Dental Fellowship and to support purchase of medicines to further the Organization's humanitarian function. The net balance of these funds on hand at September 30, 2008 is \$2,454.

The Organization received a contribution of \$25,000 in 2003 to establish a reserve fund within the unrestricted fund balance. In 2005 the Board added \$10,000 to this amount. The total on hand at September 30, 2008 is \$35,000. The restrictions on this portion of the fund are set to cover shortages in normal operations with the requirement that the shortage be recovered from the subsequent excesses.

The Board of Directors in connection with its prior executive director established a fund (Hand to Hand) to receive contributions for the purpose of assisting project recipients in acquiring medicines and shipping reimbursement. During the year ended September 30, 2008, \$38,965 was received. The Board allocated \$12,000 to the Adopt a Mission program and \$311 was expended directly to support projects. The net balance of these funds on hand at September 30, 2008 is \$26,654.

The Organization's Board of Directors set aside from prior years' operations \$11,420 to fund projects for medicines, medical supplies, and shipping. During the year, the Board set aside the \$12,000 from the Hand to Hand fund. During the year, \$16,902 was used for the intended purpose. The net balance of these funds on hand at September 30, 2008 is \$6,518.

NOTE I – CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash balances at two banks. Accounts are insured by the Federal Deposit Insurance Corporation to \$250,000 per depositor. At present the balance at any bank does not exceed federally insured limits. The company also maintains cash balances in a money market fund. Such balances are not insured. The organization has not experienced any losses related to these accounts and does not believe that it is exposed to significant credit risk.