

STRATEGIC GLOBAL INITIATIVES, INC.

FINANCIAL STATEMENTS

December 31, 2009

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Balance Sheets	2
Statements of Activities	3
Statement of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6



Heveron & Heveron

Since 1972

Certified Public Accountants

260 Plymouth Ave. South
Rochester, New York 14608-2239
(585) 232-2956 Fax: 423-0599
email: mail@heveroncpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Strategic Global Initiatives, Inc.
Rochester, New York

We have audited the accompanying balance sheets of Strategic Global Initiatives, Inc. (a nonprofit organization) as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended and statement of functional expenses for the year then ending December 31, 2009. 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 audits. The prior year summarized comparative information has been derived from the Organization's 2008 financial statements where, in our report dated May 6, 2009, we expressed an unqualified opinion on those financial statements.

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 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 Strategic Global Initiatives, Inc. as of December 31, 2009 and the results of its operations and changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Heveron & Heveron
Certified Public Accountants

Rochester, New York
May 21, 2010



STRATEGIC GLOBAL INITIATIVES, INC.
BALANCE SHEETS
December 31, 2009 and 2008

ASSETS

	<u>2009</u>	<u>2008</u>
<u>Current Assets</u>		
Cash	\$ 235,609	\$ 48,967
Prepaid Expense	<u>300,000</u>	<u>-</u>
Total Current Assets	<u>535,609</u>	<u>48,967</u>
TOTAL ASSETS	<u><u>535,609</u></u>	<u><u>48,967</u></u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Deferred Revenue	<u>4,794</u>	<u>-</u>
Total Current Liabilities	<u>4,794</u>	<u>-</u>
<u>Net Assets</u>		
Unrestricted Net Assets	<u>530,815</u>	<u>48,967</u>
TOTAL NET ASSETS	<u><u>\$ 535,609</u></u>	<u><u>\$ 48,967</u></u>

See Independent Auditors' Report and Notes to Financial Statements.

STRATEGIC GLOBAL INITIATIVES, INC.
STATEMENTS OF ACTIVITIES
For The Years Ended December 31, 2009 and 2008

<u>Support</u>	<u>2009</u>	<u>2008</u>
Contributions	\$ 784,282	\$ 199,476
In-Kind Contributions	<u>50,700</u>	<u>-</u>
Total Support	<u>834,982</u>	<u>199,476</u>
 <u>Expenses</u>		
Program Services	280,452	129,077
Management and General	31,670	2,659
Fundraising	<u>41,012</u>	<u>27,000</u>
Total Expenses	<u>353,134</u>	<u>158,736</u>
 Excess of Support and Revenue Over Expenses	 481,848	 40,740
 Net Assets - Beginning of Year	 <u>48,967</u>	 <u>8,227</u>
 Net Assets - End of Year	 <u>\$ 530,815</u>	 <u>\$ 48,967</u>

See Independent Auditors' Report and Notes to Financial Statements.

STRATEGIC GLOBAL INITIATIVES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2009
(With Comparative Totals for the Year Ended December 31, 2008)

	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Totals</u>	
				<u>2009</u>	<u>2008</u>
Payroll and Related Costs	\$ 45,688	\$ 8,062	\$ -	\$ 53,750	\$ -
Advocacy and Awareness	69,792	-	-	69,792	-
Grant Expenses	56,207	-	-	56,207	-
Marketing Expenses	34,602	-	-	34,602	-
Mirembe House Orphanage					
Project Expenses	25,000	-	-	25,000	7,500
On Line Fees	17,975	3,172	-	21,147	109
Event Expenses	-	-	19,205	19,205	-
Professional Fees	-	-	17,448	17,448	27,000
Web Site	11,662	-	-	11,662	300
Insurance	-	10,089	-	10,089	-
North Korean Rescue					
Project Expenses	8,030	-	-	8,030	116,450
Administrative Expenses	5,883	512	-	6,395	-
Sub-contractor Expenses	5,500	-	-	5,500	1,500
Office Expense	-	5,000	-	5,000	-
Travel Expenses	-	-	4,359	4,359	2,000
Miscellaneous	-	2,541	-	2,541	919
Accounting/Legal Expenses	-	2,294	-	2,294	2,550
Printing and Publications	113	-	-	113	408
	<u>113</u>	<u>-</u>	<u>-</u>	<u>113</u>	<u>408</u>
Total Expenses	<u>\$ 280,452</u>	<u>\$ 31,670</u>	<u>\$ 41,012</u>	<u>\$ 353,134</u>	<u>\$ 158,736</u>

See Independent Auditors' Report and Notes to Financial Statements.

STRATEGIC GLOBAL INITIATIVES, INC.
STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Net Cash From Operating Activities</u>		
Excess of Support and Revenue Over Expenses	\$ 481,848	\$ 40,740
Decrease In:		
Prepaid Expenses	(300,000)	-
Increase In:		
Deferred Revenue	<u>4,794</u>	<u>-</u>
Net Cash Flow Provided By Operating Activities	<u>186,642</u>	<u>40,740</u>
Net Increase in Cash and Cash Equivalents	186,642	40,740
Cash and Cash Equivalents - Beginning of Year	<u>48,967</u>	<u>8,227</u>
Cash and Cash Equivalents - End of Year	<u>\$ 235,609</u>	<u>\$ 48,967</u>

See Independent Auditors' Report and Notes to Financial Statements.

STRATEGIC GLOBAL INITIATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Strategic Global Initiatives, Inc. (the Organization) is a not-for-profit organization that exists to be a voice for the most vulnerable of the world. The Organization serves orphans, sex-trafficked victims, and the oppressed in some of the most difficult places on earth, including assisting North Korean refugees and the orphans of the African Children's Choir. The Organization also does business as Stop Child Trafficking Now.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

In accordance with accounting principles generally accepted in the United States of America, the Organization reports information regarding its financial position and activities according to the existence and nature of donor restrictions in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

The Organization also records contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions.

Accounting principles generally accepted in the United States of America allow the Organization to treat as unrestricted, any restricted revenue where the restrictions are met in the same year. The Organization has elected to follow that reporting method. As a result, all activities in which restrictions are met are recorded in the Unrestricted Net Asset class.

The following are descriptions of the Organization's net asset classifications:

Unrestricted: Unrestricted net assets include undesignated resources that are available for the general support of the Organization's operations.

Income Taxes

The Internal Revenue Service has determined that the Organization is qualified as a charity exempt under Section 501(c)(3) of the Internal Revenue Code, and has also determined that the Organization is publicly supported. As a result, no provision for federal or state income taxes has been made.

STRATEGIC GLOBAL INITIATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

FASB ASC #740, *Income Taxes*, requires entities to disclose in their financial statements the nature of any uncertainties in their tax position. Tax years including December 31, 2007 and later are subject to examination by tax authorities. Areas that IRS and state tax authorities consider when examining tax returns of a charity include, but may not be limited to, tax-exempt status and the existence and amount of unrelated business income. The Organization does not believe that it has any uncertain tax positions with respect to these or other matters, and has not recorded any unrecognized tax benefits or liability for penalties or interest.

The Organization is not aware of any circumstances or events that make it reasonably possible that tax benefits may increase or decrease within 12 months of the date of these financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include all cash on hand and in banks, which, at times, may exceed federally insured limits. The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Certain of these accounts are not federally insured. The Organization has not experienced any losses in these accounts and does not believe it is exposed to any significant credit risk with respect to cash and cash equivalents.

	<u>2009</u>	<u>2008</u>
Checking	<u>\$ 235,609</u>	<u>48,967</u>

Use of Estimates in the Preparation of Financial Statements

Accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the amounts of assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results could vary from those estimates.

Functional Expenses

The costs of providing the various program services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program, management and general, and fundraising categories.

Contributions

Contributions are recorded at the time of receipt or when evidence of a non-conditional promise to give has been received. Promises subject to conditions are not recorded as income until those conditions have been met. Contributions that are expected to be received in future years are recorded at their present value. Contributions are recorded as unrestricted unless they are subject to donor restrictions or are required to be used or expected to be received in future years.

STRATEGIC GLOBAL INITIATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009
(Continued)

NOTE 2 - DONATED SERVICES AND GOODS

The Organization receives donated services that, although substantial, do not meet the criteria for recording as revenue and expense under accounting principles generally accepted in the United States of America. During 2009, approximately 7 active volunteers provided 6,680 hours of service.

The Organization also receives donated office equipment and services that do meet the criteria for recording as revenue and expense under accounting principles generally accepted in the United States of America. During the year ended December 31, 2009, the Organization recognized \$50,700 of in-kind donations. These consisted mainly of professional services and occupancy costs.

NOTE 3 - FUNCTIONAL EXPENSES

Prepaid Expense – the \$300,000 prepaid expense reflected in the Organization’s Current Assets for 2009 represents a pre-payment for services that was issued on behalf of SGI’s “Stop Child Trafficking Now” program to an organization that specializes in pursuing perpetrators of child sex trafficking worldwide. This payment was made in December 2009 to take full advantage of all donations received for this cause throughout the year. Because this payment was issued at the end of the year, and because the services were not performed yet, it is classified as a Prepaid Expense, not an actual expense.

Note that the services to be performed will be classified entirely as a “program expense.” Therefore, when evaluating the Organization’s functional spending (as detailed on pages 3 & 4 of this report), it should be noted that on the basis of cash payments, program expenditures were substantially higher. SGI is committed to keeping its fundraising and Management/General expense below a certain threshold, and when this prepaid expense is included, these thresholds are more than met, as laid out in the following table:

	<u>Program</u>	<u>Fundraising</u>	<u>Managment & General</u>	<u>Total</u>
Expenses	280452	41012	31670	353134
Expenses & Prepaid Expenses	580452	41012	31670	653134

NOTE 4 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through *May 21, 2010*, which is the date the statements were available for issuance.