

The Global Orphan Project, Inc. & Subsidiary

**Independent Auditor's Report and
Financial Statements**

December 31, 2012

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EMERICK & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
The Global Orphan Project, Inc.

We have audited the accompanying consolidated financial statements of The Global Orphan Project, Inc. (the Organization) (a nonprofit organization) and subsidiary, which comprise the consolidated statement of financial position as of December 31, 2012, and the related consolidated statement of activities, statement of functional expenses and cash flows 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Global Orphan Project, Inc. and subsidiary as of December 31, 2012, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emerick + Company, P.C.

Kansas City, Missouri
September 24, 2013

The Global Orphan Project, Inc. and Subsidiary
Consolidated Statement of Financial Position
December 31, 2012

Assets

Current Assets	
Cash and cash equivalents	\$ 1,715,005
Investments	1,512,228
Vision Trip receivables, net	38,901
GO Adventure trip receivables, net	11,295
Pledges receivable, net	480,293
Inventory	<u>47,320</u>
Total Current Assets	<u>3,805,042</u>
Property and Equipment	
Net of accumulated depreciation of \$8,069	<u>11,168</u>
Noncurrent Assets	
Pledges receivable, net	<u>110,551</u>
Total Assets	<u><u>\$ 3,926,761</u></u>

Liabilities and Net Assets

Current Liabilities	
Accounts payable	89,763
Accrued expenses	17,304
Accrued payroll taxes	<u>6,774</u>
Total Current Liabilities	<u>113,841</u>
Total Liabilities	<u>113,841</u>
Net Assets	
Unrestricted net assets	1,385,810
Temporarily restricted net assets	<u>2,427,110</u>
Total Net Assets	<u>3,812,920</u>
Total Liabilities and Net Assets	<u><u>\$ 3,926,761</u></u>

See Notes to Financial Statements

The Global Orphan Project, Inc. and Subsidiary
Consolidated Statement of Activities and Change in Net Assets
For the Year Ended December 31, 2012

Revenue and Support	Unrestricted	Temporarily Restricted	Total
Orphan Care	\$ -	\$ 2,584,288	\$ 2,584,288
Trip Program Services	-	943,135	943,135
GO fund - Sustainability	-	379,881	379,881
GO Exchange	-	63,100	63,100
Operations	-	407,979	407,979
Special Events	160,221	-	160,221
Sales, net cost of goods sold	-	88,103	88,103
Other	4	-	4
In-kind revenue	8,000	1,523,720	1,531,720
Net assets released from restrictions	4,745,980	(4,745,980)	-
Total Revenue and Support	4,914,205	1,244,226	6,158,431
Expenses			
Program Services			
Orphan Care	2,724,393	-	2,724,393
Vision Trips	883,500	-	883,500
GO Fund	223,086	-	223,086
GO Exchange	80,108	-	80,108
GO Adventures	149,854	-	149,854
	<u>4,060,941</u>	<u>-</u>	<u>4,060,941</u>
Support Services			
Fundraising	268,156	-	268,156
Management and General	685,039	-	685,039
	<u>953,195</u>	<u>-</u>	<u>953,195</u>
Total Expenses	5,014,136	-	5,014,136
Change in Net Assets from Operations	(99,931)	1,244,226	1,144,295
Other Changes in Net Assets			
Unrealized loss on investments	(11,492)	-	(11,492)
Change in Net Assets for Year	(111,423)	1,244,226	1,132,803
Net Assets, Beginning of Year	1,497,233	1,182,884	2,680,117
Net Assets, End of Year	\$ 1,385,810	\$ 2,427,110	\$ 3,812,920

See Notes to Financial Statements

The Global Orphan Project, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2012

	Program Services				Support Services		
	Orphan Care	Orphan Care Mission Trips	GO Fund Sustainability	GO Exchange Merchandise	GO Adventures Program Trips	Fund Raising	Management and General
Employee wages	\$ 165,566	\$ 81,473	\$ -	\$ 18,000	\$ 36,458	\$ -	\$ 412,961
Payroll taxes	12,253	6,030	-	1,463	2,393	-	31,606
Employee benefits	10,626	6,904	-	-	6,588	-	49,765
Grants	2,443,054	-	209,420	-	-	-	-
Internet donation fees	-	-	-	-	-	-	20,571
Credit card fees	-	-	-	-	-	-	5,663
Special events	3,120	-	-	-	6,327	123,450	-
Contract labor	17,055	-	-	-	-	-	6,867
Lodging	-	338,529	-	3,802	17,268	-	3,557
Transportation	-	428,438	-	13,193	39,088	-	13,905
Computer expenses	-	-	-	-	-	-	19,178
Meals	-	5,770	-	549	3,289	-	4,868
Training	-	740	-	-	-	-	668
Office supplies	-	-	-	-	-	-	8,378
Printing and publishing	-	-	-	-	-	11,523	-
Postage and shipping	-	-	-	4,312	1,216	-	4,599
Advertising	-	-	-	15,150	-	385	-
Insurance	-	-	-	-	201	-	14,631
Video	-	-	-	-	2,058	16,337	-
Telephone	-	-	-	121	-	-	18,612
Supplies	-	-	-	2,017	33,309	-	-
Logistics	-	-	-	15,495	-	-	-
Professional fees	-	-	7,155	-	-	-	17,453
Depreciation	-	-	-	-	-	-	2,248
Web site	-	-	-	4,950	-	59,678	-
Bad debt expense	72,729	9,651	-	-	-	-	-
Miscellaneous	-	5,965	6,511	1,056	1,659	56,783	9
Rent	-	-	-	-	-	-	49,500
	<u>\$2,724,393</u>	<u>\$ 883,500</u>	<u>\$ 223,086</u>	<u>\$ 80,108</u>	<u>\$ 149,854</u>	<u>\$268,156</u>	<u>\$ 685,039</u>
							<u>\$ 953,195</u>
							<u>\$ 5,014,136</u>
Total Expenses							\$ 714,448
							53,745
							73,883
							2,652,474
							20,571
							5,663
							123,450
							6,867
							3,557
							13,905
							19,178
							4,868
							668
							8,378
							11,523
							10,127
							15,535
							14,832
							18,395
							18,733
							35,326
							15,495
							24,608
							2,248
							59,678
							-
							82,380
							71,983
							49,500

See Notes to Financial Statements

The Global Orphan Project, Inc. and Subsidiary
Consolidated Statement of Cash Flows
Year Ended December 31, 2012

Cash Flows from Operating Activities

Change in Net Assets	\$ 1,132,803
Adjustments to reconcile change in net assets to net cash provided by operating activities (items not requiring cash):	
Depreciation	2,248
Donation of furniture and equipment	(8,000)
Donation of stock	(1,523,720)
(Increase) decrease in current assets:	
Unrealized loss on investments	11,492
Increase in GO adventure trip receivables	(11,295)
Decrease in vision trip receivables	4,302
Increase in inventory	(46,634)
Increase (decrease) in current liabilities:	
Increase in accounts payable	83,937
Decrease in accrued expenses	(32,851)
Decrease in payroll liabilities	(25,098)
Contributions restricted for pledges receivable	<u>(480,293)</u>
Net Cash Used by Operating Activities	<u>(893,109)</u>

Cash Flows from Financing Activities

Collections of pledges receivable	<u>461,739</u>
Net Cash Provided by Financing Activities	<u>461,739</u>

Net Increase (Decrease) in Cash (431,370)

Cash and Cash Equivalents, Beginning of Year 2,146,375

Cash and Cash Equivalents, End of Year \$ 1,715,005

Supplemental data:

Property acquired by in-kind contributions	\$ 8,000
Investments acquired by in-kind contributions	1,523,720

See Notes to Financial Statements

The Global Orphan Project, Inc. & Subsidiary
Notes to Financial Statements
December 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

The Global Orphan Project, Inc. (C3) was organized as a not-for-profit corporation in Missouri in 2003, and is recognized as a 501 (c) (3) not-for-profit corporation. The mission of the organization is to provide food, shelter and aid for the fundamental needs of the oppressed and impoverished throughout the world through a global outreach.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of The Global Orphan Project, Inc. are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to any donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions on their use that may be met by actions of The Global Orphan Project, Inc. or the passage of time.

Principles of Consolidation

The consolidated financial statements include the accounts of the Organization and its wholly owned subsidiary, GO Project, LLC, a for profit company. Subsequent to year-end, GO Project, LLC, changed its name to The GO Exchange, LLC. All significant intercompany accounts and transactions have been eliminated upon consolidation.

Income Taxes

No provision is made for federal or state income taxes due to the Organization's tax-exempt status.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Estimates and assumptions may also affect disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses. Actual results could differ from management's estimates.

Depreciation

Property, plant and equipment are stated at cost, if purchased, or at fair value at the date of the gift, if donated, less accumulated depreciation. Depreciation and amortization for financial reporting is computed using the straight-line method over the estimated useful lives of the assets. The equipment has an estimated useful life of 5 years.

Cash and Cash Equivalents

For purposes of the statement of cash flows, The Global Orphan Project, Inc. considers all cash and other highly liquid investments to be cash equivalents.

The Global Orphan Project, Inc. & Subsidiary
Notes to Financial Statements
December 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventories, consisting principally of clothing, are stated at the lower of cost or market. Cost is determined by the average cost method.

Contributions

Contributions are recorded as revenue, at their fair value, when received, or promised unconditionally. Contributions received with donor restrictions that limit their use are reported as temporarily restricted revenue. When a donor restriction is met through the passage of time or fulfillment of a purpose restriction, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Materials and Services

The Organization records various types of in-kind support. Contributed in-kind support is recognized if professional services are received that (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, or (c) goods donated that can be used for the Organization's purpose. During the year, the Organization received donations of \$8,000 of office equipment and \$1,523,720 of stock.

Contribution Concentration

For the year ended December 31, 2012, the Organization derived approximately 28% of their contributions from one contributor.

Subsequent Events

Subsequent events have been evaluated through September 24, 2013, which is the date the financial statements were available to be issued

NOTE 2: CONCENTRATION OF CREDIT RISK

The Organization maintains its cash at various banks. At various times during the year, cash balances held at banks may exceed the federally insured limit of \$250,000. The Organization has not experienced any losses due to these credit risks.

NOTE 3: PROPERTY AND EQUIPMENT

Equipment	\$ 19,237
Less accumulated depreciation and amortization	<u>8,069</u>
	<u>\$ 11,168</u>

The Global Orphan Project, Inc.
Notes to Financial Statements
December 31, 2012

NOTE 4: PLEDGES RECEIVABLE

As of December 31, 2012, contributors to the Organization have made written unconditional promises to give, consisting of pledges as follows:

	Temporarily Restricted	Allowance for Uncollectible Pledges	Total
Less than one year	\$ 602,766	\$ (122,473)	\$ 480,293
One to five years	138,189	(27,638)	110,551
Total	<u>\$ 740,955</u>	<u>\$ (150,111)</u>	<u>\$ 590,844</u>

NOTE 5: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

Specific programs	<u>\$ 2,427,110</u>
Total temporarily restricted net assets	<u>\$ 2,427,110</u>

NOTE 6: RELATED PARTY

The Organization pays rent for office space of \$4,125 a month to a company owned by the founder who is also a board member.

NOTE 7: TAX POSITION

As a tax-exempt organization under Internal Revenue Code IRC Section 501(C)(3), the Organization is required to file a Form 990, Return of Organization Exempt from Income Tax yearly. The information in this return is used by the IRS to substantiate the Organization's continuing tax-exempt status. The last three years of these returns are open to IRS examination. In addition, if the Organization has unrelated business income it is required to file a Form 990-T, Exempt Organization Business Income Tax Return and pay tax on any taxable income. It is the determination of management that this is not required for the year included in these financial statements.

The Global Orphan Project, Inc.
Notes to Financial Statements
December 31, 2012

NOTE 8: FAIR VALUE MEASUREMENTS

FASB ASC 820, "Fair Value Measurements and Disclosures", defines fair value and establishes a consistent framework for measuring fair value for certain assets and liabilities. These provisions establish a fair value hierarchy that prioritizes the inputs used to measure fair value. An asset or liability's classification within the fair value hierarchy is determined based on the lowest level input that is significant to the fair value measurement. This hierarchy prioritizes the inputs into three broad levels as follows:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Assets measured at fair value on a recurring basis at December 31, 2012, were as follows:

	Total 2012	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		Level 1	Level 2	Level 3
Equity securities	\$ 1,512,228	\$ 1,512,228	\$ -	\$ -
Investments	1,512,228	1,512,228	-	-
Total	<u>\$ 1,512,228</u>	<u>\$ 1,512,228</u>	<u>\$ -</u>	<u>\$ -</u>

Investments

Equity securities are reported at fair value based on quoted market prices.

EMERICK & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To the Board of Trustees of
The Global Orphan Project, Inc.

We have audited the consolidated financial statements of The Global Orphan Project, Inc. and subsidiary as of and for the year ended December 31, 2012, and have issued our report thereon dated September 24, 2013, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of temporarily restricted assets for management and general expenses is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Kansas City, Missouri
September 24, 2013

Emerick + Company, P.C.

The Global Orphan Project, Inc.
Schedule of Temporarily Restricted Assets for Management and General Expenses
Year Ended December 31, 2012

Support from Michael & Elizabeth Fox	<u>\$ 1,772,610</u>
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Mangement and General Expenses

Employee wages	\$ 412,961
Payroll taxes	31,606
Employee benefits	49,765
Internet donation fees	20,571
Credit card fees	5,663
Contract labor	6,867
Lodging	3,557
Transportation	13,905
Computer expenses	19,178
Meals	4,868
Training	668
Office supplies	8,378
Postage and shipping	4,599
Insurance	14,631
Telephone	18,612
Professional fees	17,453
Depreciation	2,248
Miscellaneous	9
Rent	49,500
	<u>\$ 685,039</u>
	<u><u>\$ 1,087,571</u></u>