

The Global Orphan Project, Inc. & Subsidiary

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

December 31, 2013

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EMERICK & COMPANY_{P.C.}

David Emerick
Rick Hann

CERTIFIED PUBLIC ACCOUNTANTS & AUDITING PROFESSIONALS

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, 2013, and the related consolidated statement of activities and changes in net assets, consolidated statement of functional expenses and consolidated statement of 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, 2013, 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
July 31, 2014

**The Global Orphan Project, Inc. and Subsidiary
Consolidated Statement of Financial Position
December 31, 2013**

Assets

Current Assets

Cash and cash equivalents	\$ 2,552,508
Investments	402,918
Vision Trip receivables, net	51,430
GO Adventure Trip receivables, net	12,585
GO Exchange receivables	36,505
Pledges receivable, net	420,224
Inventory	257,930
Prepaid expenses	15,694

Total Current Assets	3,749,794
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Property and Equipment

Net of accumulated depreciation of \$7,749	6,761
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Noncurrent Assets

Pledges receivable, net	58,318
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Total Assets

\$ 3,814,873

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 110,500
Accrued expenses	14,537
Accrued payroll taxes	8,932
Total Current Liabilities	133,969

Total Liabilities

133,969

Net Assets

Unrestricted net assets	1,219,643
Temporarily restricted net assets	2,461,261
Total Net Assets	3,680,904

Total Liabilities and Net Assets

\$ 3,814,873

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, 2013

Revenue and Support	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Orphan Care	\$ -	\$ 2,206,298	\$ 2,206,298
Trip Program Services	-	1,237,159	1,237,159
GO fund - Sustainability	-	300,658	300,658
GO Exchange	-	43,507	43,507
Operations	-	457,741	457,741
Special Events	103,710	-	103,710
Sales, net of cost of goods sold	-	150,944	150,944
Other	5,127	-	5,127
In-kind revenue	40,012	499,862	539,874
Net assets released from restrictions	4,862,018	(4,862,018)	-
Total Revenue and Support	<u>5,010,867</u>	<u>34,151</u>	<u>5,045,018</u>
 Expenses			
Program Services			
Orphan Care	2,500,139	-	2,500,139
Orphan Care Mission Trips	1,076,427	-	1,076,427
GO Fund Sustainability	323,726	-	323,726
GO Exchange Merchandise	365,790	-	365,790
GO Adventures Program Trips	187,394	-	187,394
	<u>4,453,476</u>	<u>-</u>	<u>4,453,476</u>
Support Services			
Fundraising	112,694	-	112,694
Management and general	735,644	-	735,644
	<u>848,338</u>	<u>-</u>	<u>848,338</u>
Total Expenses	<u>5,301,814</u>	<u>-</u>	<u>5,301,814</u>
Change in Net Assets from Operations	(290,947)	34,151	(256,796)
 Other Changes in Net Assets			
Unrealized gain on investments	1,454	-	1,454
Realized gain on investments	127,439	-	127,439
Interest income	1,485	-	1,485
Loss on disposal of equipment	(5,598)	-	(5,598)
Change in Net Assets	(166,167)	34,151	(132,016)
Net Assets, Beginning of Year	<u>1,385,810</u>	<u>2,427,110</u>	<u>3,812,920</u>
Net Assets, End of Year	<u>\$ 1,219,643</u>	<u>\$ 2,461,261</u>	<u>\$ 3,680,904</u>

See Notes to Financial Statements

The Global Orphan Project, Inc. and Subsidiary
 Consolidated Statement of Functional Expenses
 For the Year Ended December 31, 2013

	Program Services					Support Services			Total Expenses
	Orphan Care	Orphan Care Mission Trips	GO Fund Sustainability	GO Exchange Merchandise	GO Adventures Program Trips	Fund-raising	Management and General	Total	
Employee wages	\$ 288,365	\$ 92,004	\$ 39,000	\$ 112,234	\$ 50,000	\$ -	\$ 463,152	\$ 463,152	\$ 1,044,755
Payroll taxes	20,839	6,478	2,806	8,214	3,302	-	33,504	33,504	75,143
Employee benefits	32,969	18,571	4,384	7,393	9,498	-	49,435	49,435	122,250
Grants	2,027,788	385,788	251,595	-	-	-	-	-	2,665,171
Internet donation fees	-	-	-	-	-	-	19,430	19,430	19,430
Bank and merchant fees	-	-	-	4,500	-	-	7,577	7,577	12,077
Special events	5,815	-	-	6,448	633	-	-	72,300	78,748
Contract labor	24,142	-	-	39,026	-	-	2,838	2,838	66,006
Lodging	12,104	10,882	4,928	2,979	28,220	-	680	680	59,793
Transportation	36,967	542,027	19,344	9,587	73,457	-	3,494	3,494	684,876
Supplemental field support	23,998	-	-	-	-	-	-	-	23,998
Computer expenses	-	-	-	-	-	-	27,150	27,150	27,150
Meals	7,585	3,653	1,527	1,261	3,235	-	6,249	6,249	23,510
Training	-	270	-	-	-	-	4,566	4,566	4,836
Office supplies	-	-	-	-	-	-	6,817	6,817	6,817
Printing and publishing	-	-	-	3,411	-	-	-	-	13,679
Postage and shipping	-	-	-	11,093	555	10,268	5,879	5,879	17,527
Advertising	-	-	-	58,471	1,839	848	-	848	61,158
Insurance	-	-	-	-	799	-	20,584	20,584	21,383
Video	-	-	-	-	-	-	-	-	8,555
Telephone	12,888	-	-	624	-	-	20,646	20,646	34,158
Supplies	6,679	-	142	4,948	13,241	-	-	-	25,010
Logistics	-	-	-	49,635	-	-	-	-	49,635
Professional fees	-	-	-	721	-	-	10,803	10,803	10,803
Depreciation	-	-	-	32,077	-	-	2,061	2,061	2,782
Web site	-	-	-	-	-	12,929	-	12,929	45,006
Bad debt expense	-	10,854	-	491	2,615	-	-	-	10,854
Miscellaneous	-	5,900	-	4,400	-	7,794	1,279	9,073	18,079
Rent	-	-	-	14,725	-	-	-	-	4,400
Other In-kind	-	-	-	-	-	-	49,500	49,500	64,225
	\$ 2,500,139	\$ 1,076,427	\$ 323,726	\$ 365,790	\$ 187,394	\$ 112,694	\$ 735,644	\$ 848,338	\$ 5,301,814

See Notes to Financial Statements

The Global Orphan Project, Inc. and Subsidiary
Consolidated Statement of Cash Flows
Year Ended December 31, 2013

Cash Flows from Operating Activities

Change in Net Assets	\$ (132,016)
Adjustments to reconcile change in net assets to net cash provided by operating activities (items not requiring cash):	
Depreciation	2,782
Donation of stock	(450,362)
Unrealized gain on investments	(1,454)
Cash contributions restricted for orphan care	(274,138)
Change in allowance for uncollectible pledges	(47,534)
Loss on disposal of equipment	5,598
Bad debt expense	10,854
 (Increase) decrease in current assets:	
GO Adventure Trip receivables	(1,290)
Vision Trip receivables	(12,529)
GO Exchange receivables	(36,505)
Pledges receivable	175,379
Inventory	(210,610)
Prepaid expenses	(15,694)
 Increase (decrease) in current liabilities:	
Accounts payable	20,737
Accrued expenses	(2,767)
Payroll liabilities	2,158
 Net cash used by operating activities	<u>(967,391)</u>

Cash Flows From Investing Activities

Net change in property and equipment	(12,476)
Proceeds from sale of investments	1,543,232
 Net cash provided by investing activities	<u>1,530,756</u>

Cash Flows from Financing Activities

Cash contributions restricted for orphan care	274,138
 Net cash provided by financing activities	<u>274,138</u>

Net Increase in Cash	837,503
Cash and Cash Equivalents, Beginning of Year	<u>1,715,005</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,552,508</u>

See Notes to Financial Statements

The Global Orphan Project, Inc. & Subsidiary
Notes to Financial Statements
December 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

The Global Orphan Project, Inc. (the Organization) 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 Global Orphan Project also supports orphan prevention initiatives focusing on providing education for children and quality jobs for their parents.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues, 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.

Permanently restricted net assets – Net assets subject to donor-imposed or other legal restrictions requiring that the principal be maintained permanently. There were no permanently restricted net assets as of December 31, 2013.

Principles of Consolidation

The consolidated financial statements include the accounts of the Organization and its wholly owned subsidiary, GO Exchange, LLC, a for-profit company. 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.

The Global Orphan Project, Inc. & Subsidiary
Notes to Financial Statements
December 31, 2013

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 stock, automobile, advertising, and office rental space.

Subsequent Events

Subsequent events have been evaluated through July 31, 2014, which is the date the financial statements were available to be issued

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.

Pledges Receivable

Unconditional promises to give in future periods are recognized as support in the period the promises are received.

Management provides an allowance for unconditional promises to give, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Management writes off receivables when it determines that a promise to give will not be collected.

Accounts Receivable

Accounts receivable are primarily derived from trips and merchandise sales. No allowance for doubtful accounts was deemed necessary at year-end.

The Global Orphan Project, Inc. and Subsidiary
Notes to Financial Statements
December 31, 2013

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	\$	14,510
Less accumulated depreciation		<u>7,749</u>
	\$	<u><u>6,761</u></u>

NOTE 4: PLEDGES RECEIVABLE

As of December 31, 2013, 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	\$ 525,280	\$ (105,056)	\$ 420,224
One to five years	<u>72,897</u>	<u>(14,579)</u>	<u>58,318</u>
Total	<u>\$ 598,177</u>	<u>\$ (119,635)</u>	<u>\$ 478,542</u>

NOTE 5: TEMPORARILY RESTRICTED NET ASSETS

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

Specific programs	\$	<u>2,461,261</u>
Total temporarily restricted net assets	\$	<u><u>2,461,261</u></u>

NOTE 6: RELATED PARTY

The Organization receives in-kind office space valued at \$4,125 a month from a company owned by the founder of the Organization 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 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. and Subsidiary
Notes to Financial Statements
December 31, 2013

NOTE 8: FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board 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's 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, 2013, were as follows:

	Total 2013	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		Level 1	Level 2	Level 3
Equity securities	\$ 402,918	\$ 402,918	\$ -	\$ -
Investments	402,918	402,918	-	-
Total	\$ 402,918	\$ 402,918	\$ -	\$ -

Investments

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



David Emerick
Rick Hann

EMERICK & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS & AUDITING PROFESSIONALS

**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, 2013, and have issued our report thereon dated July 31, 2014, 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 contributors committed to funding 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
July 31, 2014

Emerick & Company, P.C.

**The Global Orphan Project, Inc. and Subsidiary
Schedule of Contributors Committed to Funding
Management and General Expenses
Year Ended December 31, 2013**

Support from Michael & Elizabeth Fox	\$ 404,542
Support from Founders' Circle	364,584
	769,126

Mangement and General Expenses

Employee wages	463,152
Payroll taxes	33,504
Employee benefits	49,435
Internet donation fees	19,430
Bank and merchant fees	7,577
Contract labor	2,838
Lodging	680
Transportation	3,494
Computer expenses	27,150
Meals	6,249
Training	4,566
Office supplies	6,817
Postage and shipping	5,879
Insurance	20,584
Telephone	20,646
Professional fees	10,803
Depreciation	2,061
Miscellaneous	1,279
In-kind	49,500
	735,644
	\$ 33,482