

The Global Orphan Project, Inc. & Subsidiary

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

December 31, 2014

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Consolidated Statement of Financial Position	2
Consolidated Statement of Activities and Changes in Net Assets	3
Consolidated Statement of Functional Expenses	4
Consolidated Statement of Cash Flows	5
Notes to Financial Statements	6-11
Independent Auditor's Report on Additional Information	12
Schedule of Contributors Committed to Funding Management and General Expenses	13
Notes to Supplemental Schedule	14



EMERICK & COMPANY, P.C.

David Emerick
Rick Hann

CERTIFIED PUBLIC ACCOUNTANTS, AUDITING & TAX 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, 2014, 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, 2014, 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
August 19, 2015

The Global Orphan Project, Inc. and Subsidiary
Consolidated Statement of Financial Position
December 31, 2014

Assets

Current Assets	
Cash and cash equivalents	\$ 1,808,242
Investments	25,011
Vision Trip receivables, net	41,205
GO Exchange receivables	16,618
Pledges receivable, net	260,358
Inventory	364,616
Prepaid expenses	<u>40,755</u>
Total Current Assets	<u>2,556,805</u>
Property and Equipment	
Net of accumulated depreciation of \$7,749	<u>54,096</u>
Noncurrent Assets	
Pledges receivable, net	<u>45,946</u>
Total Assets	<u><u>\$ 2,656,847</u></u>

Liabilities and Net Assets

Current Liabilities	
Accounts payable	\$ 101,933
Accrued expenses	15,926
Accrued payroll taxes	18,139
Total Current Liabilities	<u>135,998</u>
Total Liabilities	<u>135,998</u>
Net Assets	
Unrestricted net assets	1,360,450
Temporarily restricted net assets	1,160,399
Total Net Assets	<u>2,520,849</u>
Total Liabilities and Net Assets	<u><u>\$ 2,656,847</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, 2014

Revenue and Support	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Orphan Care	\$ -	\$ 2,620,528	\$ 2,620,528
Trip Program Services	-	899,884	899,884
GO fund - Sustainability	-	414,305	414,305
GO Exchange	-	288,972	288,972
Operations	-	374,616	374,616
Special Events	114,827	-	114,827
Sales, net of cost of goods sold	81,311	-	81,311
Rental fees	8,022	-	8,022
Order fulfillment services	90,314	-	90,314
Other	10,606	-	10,606
In-kind revenue	136,483	59,877	196,360
Net assets released from restrictions	<u>5,959,044</u>	<u>(5,959,044)</u>	<u>-</u>
Total Revenue and Support	<u>6,400,607</u>	<u>(1,300,862)</u>	<u>5,099,745</u>
 Expenses			
Program Services			
Orphan Care	3,061,730	-	3,061,730
Orphan Care Mission Trips	976,982	-	976,982
GO Fund Sustainability	513,681	-	513,681
GO Exchange Merchandise	504,041	-	504,041
GOEX Services Order Fulfillment	<u>202,909</u>	<u>-</u>	<u>202,909</u>
	<u>5,259,343</u>	<u>-</u>	<u>5,259,343</u>
Support Services			
Fundraising	150,659	-	150,659
Management and general	<u>840,039</u>	<u>-</u>	<u>840,039</u>
	<u>990,698</u>	<u>-</u>	<u>990,698</u>
Total Expenses	<u>6,250,041</u>	<u>-</u>	<u>6,250,041</u>
Change in Net Assets from Operations	150,566	(1,300,862)	(1,150,296)
 Other Changes in Net Assets			
Unrealized loss on investments	(695)	-	(695)
Interest income	1,452	-	1,452
Realized loss on investments	(8,700)	-	(8,700)
Loss on disposal of equipment	<u>(1,816)</u>	<u>-</u>	<u>(1,816)</u>
Change in Net Assets	140,807	(1,300,862)	(1,160,055)
Net Assets, Beginning of Year	<u>1,219,643</u>	<u>2,461,261</u>	<u>3,680,904</u>
Net Assets, End of Year	<u>\$ 1,360,450</u>	<u>\$ 1,160,399</u>	<u>\$ 2,520,849</u>

See Notes to Financial Statements

**The Global Orphan Project, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2014**

	Program Services					Support Services			Total Expenses	
	Orphan Care	Orphan Care Mission Trips	GO Fund Sustainability	GO Exchange Merchandise	GOEX Services Order Fulfillment	Total	Fund - raising	Management and General		Total
Employee wages	\$ 368,528	\$ 114,506	\$ -	\$ 133,824	\$ 85,183	\$ 702,041	\$ -	\$ 521,141	\$ 521,141	\$ 1,223,182
Payroll taxes	26,637	7,809	-	9,836	5,751	50,033	-	38,365	38,365	88,398
Employee benefits	48,819	25,635	-	13,397	2,493	90,344	-	70,035	70,035	160,379
Grants	2,404,964	273,009	479,897	39,000	-	3,196,870	-	-	-	3,196,870
Internet donation fees	-	-	-	-	-	-	-	22,083	22,083	22,083
Bank and merchant fees	-	-	-	7,318	565	7,883	-	5,446	5,446	13,329
Special events	7,308	18,497	-	-	-	25,805	88,273	-	88,273	114,078
Contract labor	36,263	-	-	60,948	-	97,211	-	6,048	6,048	103,259
Lodging	9,381	39,813	2,447	9,899	-	61,540	-	5,953	5,953	67,493
Transportation	49,317	467,826	29,399	19,039	64	565,645	-	8,018	8,018	573,663
Supplemental field support	5,700	-	-	-	-	5,700	-	-	-	5,700
Computer expenses	-	-	-	777	5,515	6,292	-	30,002	30,002	36,294
Meals	9,845	12,985	1,938	3,501	197	28,466	-	9,476	9,476	37,942
Training	5,538	264	-	-	-	5,802	-	1,036	1,036	6,838
Office supplies	-	-	-	-	-	-	-	9,655	9,655	9,655
Printing and publishing	-	-	-	3,450	-	3,450	12,382	-	12,382	15,832
Postage and shipping	-	-	-	7,825	13,036	20,861	-	4,981	4,981	25,842
Advertising	-	-	-	120,723	-	120,723	7,710	-	7,710	128,433
Insurance	-	-	-	2,171	-	2,171	-	21,924	21,924	24,095
Video	-	-	-	-	-	-	16,394	-	16,394	16,394
Telephone	19,330	2,719	-	881	-	22,930	-	19,545	19,545	42,475
Supplies	18,570	3,729	-	14,910	47,828	85,037	-	-	-	85,037
Logistics	-	-	-	29,412	-	29,412	-	-	-	29,412
Professional fees	-	-	-	-	-	-	-	13,884	13,884	13,884
Depreciation	-	-	-	-	1,620	1,620	-	1,946	1,946	3,566
Web site	-	-	-	27,130	-	27,130	21,724	-	21,724	48,854
Bad debt expense	51,530	7,006	-	-	-	58,536	-	-	-	58,536
Miscellaneous	-	3,184	-	-	5,978	9,162	4,176	1,001	5,177	14,339
Rent	-	-	-	-	34,679	34,679	-	-	-	34,679
Other In-kind	-	-	-	-	-	-	-	49,500	49,500	49,500
	<u>\$ 3,061,730</u>	<u>\$ 976,982</u>	<u>\$ 513,681</u>	<u>\$ 504,041</u>	<u>\$ 202,909</u>	<u>\$ 5,259,343</u>	<u>\$ 150,659</u>	<u>\$ 840,039</u>	<u>\$ 990,698</u>	<u>\$ 6,250,041</u>

See Notes to Financial Statements

The Global Orphan Project, Inc. and Subsidiary
Consolidated Statement of Cash Flows
Year Ended December 31, 2014

Cash Flows from Operating Activities

Change in Net Assets	\$ (1,160,055)
Adjustments to reconcile change in net assets to net cash provided by operating activities (items not requiring cash):	
Depreciation	3,566
Donation of stock	(59,877)
Donation of inventory	(74,383)
Unrealized loss on investments	695
Cash contributions restricted for orphan care	(1,006,777)
Change in allowance for uncollectible pledges	36,066
Loss on disposal of equipment	1,816
Realized loss on sale of stock	8,700
Bad debt expense	66,006
 (Increase) decrease in current assets:	
Vision Trip receivables	16,484
GO Exchange receivables	19,887
Pledges receivable	207,626
Inventory	(33,485)
Prepaid expenses	(25,061)
 Increase (decrease) in current liabilities:	
Accounts payable	(8,567)
Accrued expenses	1,389
Accrued payroll taxes	(3,427)
	(2,009,397)

Cash Flows From Investing Activities

Net change in property and equipment	(50,900)
Proceeds from sale of investments	309,254
	258,354

Cash Flows from Financing Activities

Cash contributions restricted for orphan care	1,006,777
	1,006,777

Net Decrease in Cash (744,266)

Cash and Cash Equivalents, Beginning of Year 2,552,508

Cash and Cash Equivalents, End of Year \$ 1,808,242

The Global Orphan Project, Inc. & Subsidiary
Notes to Financial Statements
December 31, 2014

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, 2014.

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 five years.

The Global Orphan Project, Inc. & Subsidiary
Notes to Financial Statements
December 31, 2014

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, automobiles, fabric, and office rental space.

Subsequent Events

Subsequent events have been evaluated through August 19, 2015, 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, 2014

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	\$	35,961
Building		27,254
Leasehold improvements		2,196
Less accumulated depreciation		11,315
	<u>\$</u>	<u>54,096</u>

NOTE 4: PLEDGES RECEIVABLE

As of December 31, 2014, 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	\$ 342,666	\$ (82,308)	\$ 260,358
One to five years	60,471	(14,525)	45,946
Total	<u>\$ 403,137</u>	<u>\$ (96,833)</u>	<u>\$ 306,304</u>

NOTE 5: TEMPORARILY RESTRICTED NET ASSETS

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

Specific programs	\$	1,160,399
Total temporarily restricted net assets	<u>\$</u>	<u>1,160,399</u>

NOTE 6: INCOME TAXES

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 Internal Revenue Service to substantiate the Organization's continuing tax-exempt status. The last three years of these returns are open to IRS examination.

The Global Orphan Project, Inc. and Subsidiary
Notes to Financial Statements
December 31, 2014

NOTE 7: 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, 2014, were as follows:

	Total 2014	Quoted Prices in	Significant	Significant
		Active Markets for Identical Assets	Other Observable Inputs	Unobservable Inputs
		Level 1	Level 2	Level 3
Equity securities	\$ 25,011	\$ 25,011	\$ -	\$ -
Investments	25,011	25,011	-	-
Total	<u>\$ 25,011</u>	<u>\$ 25,011</u>	<u>\$ -</u>	<u>\$ -</u>

Investments

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

The Global Orphan Project, Inc. & Subsidiary
Notes to Financial Statements
December 31, 2014

NOTE 8: WAREHOUSE LEASE

The Organization leases warehouse space under an operating lease that expires August 1, 2016. The lease requires monthly payments of \$5,120.

The following is a schedule by years of future minimum rental payments required under this lease.

Year Ending December 31,	<u>Amount</u>
2015	\$ 61,440
2016	<u>35,840</u>
Total minimum payments required	<u>\$ 97,280</u>

Rent expense was \$34,679 in 2014.

NOTE 9: RELATED PARTY TRANSACTIONS

The Organization receives in-kind office space valued at \$4,125 per month from a company owned by the founder of the Organization who is also a board member.

An employee of the Organization owns a company that provided order fulfillment services to the Organization. The Organization purchased equipment from the company and assumed payroll to takeover the performance of order fulfillment operations. The Organization now charges the company rent for warehouse space and fees for order fulfillment services.

NOTE 10: SUBSEQUENT EVENTS

Line of Credit

The Organization entered into a revolving line of credit with a financial institution with a maximum borrowing limit of \$400,000 in August 2015. The line bears interest at a variable rate based on the Wall Street Journal prime rate. The current rate is 3.25%.

Lease

The Organization entered a lease for a printing press in May 2015. The lease is 60 months and requires monthly payments of \$587.

The Global Orphan Project, Inc. & Subsidiary
Notes to Financial Statements
December 31, 2014

NOTE 10: SUBSEQUENT EVENTS (Continued)

The following is a schedule by years of future minimum payments under this lease:

Year Ending December 31,	<u>Amount</u>
2015	\$ 4,109
2016	7,044
2017	7,044
2018	7,044
2019	7,044
2020	<u>2,935</u>
Total minimum payments required	<u>\$ 35,220</u>

Partnership Agreement

The Organization entered into a partnership agreement in March 2015 to obtain a 40% partnership interest in Life S.A. The agreement calls for a contribution of \$50,000 and a loan to be provided to the partnership for \$300,000.



EMERICK & COMPANY, P.C.

David Emerick
Rick Hann

CERTIFIED PUBLIC ACCOUNTANTS, AUDITING & TAX 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, 2014, and have issued our report thereon dated August 19, 2015, 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.

Emerick + Company, P.C.

Kansas City, Missouri
August 19, 2015

**The Global Orphan Project, Inc. and Subsidiary
Schedule of Contributors Committed to Funding
Management and General Expenses
Year Ended December 31, 2014**

Support from Michael & Elizabeth Fox	\$ 10,000
Support from Founders' Circle	421,584
	431,584

Management and General Expenses

Employee wages	521,141
Payroll taxes	38,365
Employee benefits	70,035
Internet donation fees	22,083
Bank and merchant fees	5,446
Contract labor	6,048
Lodging	5,953
Transportation	8,018
Computer expenses	30,002
Meals	9,476
Training	1,036
Office supplies	9,655
Postage and shipping	4,981
Insurance	21,924
Telephone	19,545
Professional fees	13,884
Depreciation	1,946
Miscellaneous	1,001
In-kind	49,500
	840,039
	\$(408,455)

**The Global Orphan Project, Inc. & Subsidiary
Notes to Supplemental Schedule
December 31, 2014**

NOTE 1: EXPLANATION OF CONTRIBUTIONS UNDER EXPENSES

Contributions from the Fox's and the Founders' Circle resulted in a surplus over management and general expenses of approximately \$1.1 million dating back to 2012. Therefore, no ministry donations were used to support operations of the ministry in 2014.