

The Global Orphan Project, Inc. and Subsidiary

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

December 31, 2019

The Global Orphan Project, Inc. and Subsidiary
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EMERICK & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS, AUDITING & TAX PROFESSIONALS

David Emerick • James Flanagan • Rick Hann • Kristy Helt

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, 2019, 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, 2019, 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 26, 2020

**The Global Orphan Project, Inc. and Subsidiary
Consolidated Statement of Financial Position
December 31, 2019**

Assets

Current Assets

| | |
|------------------------------|------------------|
| Cash and cash equivalents | \$ 4,062,875 |
| Vision Trip receivables, net | 3,979 |
| Accounts receivable, net | 257,421 |
| Pledges receivable, net | 135,847 |
| Grants receivable | 116,769 |
| Investments | 38,920 |
| Contract assets | 7,083 |
| Inventory | 722,593 |
| Prepaid expenses | 87,258 |
| Total Current Assets | <u>5,432,745</u> |

Property and Equipment

| | |
|--|------------------|
| Net of accumulated depreciation of \$791,585 | <u>2,422,047</u> |
|--|------------------|

Total Assets

\$ 7,854,792

Liabilities and Net Assets

Current Liabilities

| | |
|--|----------------|
| Accounts payable | \$ 228,676 |
| Accrued expenses | 40,062 |
| Contract liabilities | 45,505 |
| Current portion of notes payable - building | 48,796 |
| Current portion of notes payable - equipment | 69,465 |
| Total Current Liabilities | <u>432,504</u> |

Noncurrent Liabilities

| | |
|------------------------------|------------------|
| Notes payable - building | 934,819 |
| Notes payable - equipment | 780,535 |
| Total Noncurrent Liabilities | <u>1,715,354</u> |

Total Liabilities

2,147,858

Net Assets

| | |
|----------------------------|------------------|
| Without donor restrictions | 4,584,245 |
| With donor restrictions | 1,122,689 |
| Total Net Assets | <u>5,706,934</u> |

Total Liabilities and Net Assets

\$ 7,854,792

The Global Orphan Project, Inc. and Subsidiary
Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2019

| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total |
|---|--|--|---------------------|
| Revenue and Support | | | |
| Orphan care | 5,213,659 | \$ 1,497,718 | \$ 6,711,377 |
| Trip program services | 461,876 | - | 461,876 |
| GO fund - sustainability | 1,177,142 | - | 1,177,142 |
| Operations | 11,525 | 1,442,318 | 1,453,843 |
| Special events | 358,235 | | |
| Less direct costs | <u>(183,680)</u> | 174,555 | 174,555 |
| Software fees | 317,430 | - | 317,430 |
| Sales, net of cost of goods sold | 455,613 | - | 455,613 |
| Equity in earnings of affiliate | (262,829) | - | (262,829) |
| In-kind revenue | 162,407 | 341,687 | 504,094 |
| Net assets released from restrictions | <u>3,095,658</u> | <u>(3,095,658)</u> | <u>-</u> |
| Total Revenue and Support | <u>10,807,036</u> | <u>186,065</u> | <u>10,993,101</u> |
| Expenses | | | |
| Program Services | | | |
| Orphan care | 5,033,215 | - | 5,033,215 |
| Orphan care mission trips | 622,516 | - | 622,516 |
| GO fund sustainability | 546,059 | - | 546,059 |
| GO Exchange merchandise | 2,564,169 | - | 2,564,169 |
| | <u>8,765,959</u> | <u>-</u> | <u>8,765,959</u> |
| Support Services | | | |
| Fundraising | 157,276 | - | 157,276 |
| Management and general | 1,432,095 | - | 1,432,095 |
| | <u>1,589,371</u> | <u>-</u> | <u>1,589,371</u> |
| Total Expenses | <u>10,355,330</u> | <u>-</u> | <u>10,355,330</u> |
| Change in Net Assets from Operations | 451,706 | 186,065 | 637,771 |
| Other Changes in Net Assets | | | |
| Interest income | 120,541 | - | 120,541 |
| Interest expense | (89,176) | - | (89,176) |
| Other income | 11,606 | - | 11,606 |
| Gain on disposal of equipment | 1,303 | - | 1,303 |
| | <u>495,980</u> | <u>186,065</u> | <u>682,045</u> |
| Change in Net Assets | 495,980 | 186,065 | 682,045 |
| Net Assets, Beginning of Year | <u>4,088,265</u> | <u>936,624</u> | <u>5,024,889</u> |
| Net Assets, End of Year | <u>\$ 4,584,245</u> | <u>\$ 1,122,689</u> | <u>\$ 5,706,934</u> |

See Notes to Consolidated Financial Statements

The Global Orphan Project, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2019

| | Program Services | | | | | Support Services | | | Total Expenses |
|-----------------------------------|---------------------|-------------------|---------------------------|----------------------------|---------------------|-------------------|---------------------------|---------------------|----------------------|
| | Orphan Care | Vision Trips | GO Fund Sustainability | GO Exchange Merchandise | Total | Fund - raising | Management and General | Total | |
| Employee wages | \$ 1,125,491 | \$ 93,433 | \$ 100,684 | \$ 298,513 | \$ 1,618,121 | \$ - | \$ 752,371 | \$ 752,371 | \$ 2,370,492 |
| Payroll taxes | 83,539 | 6,990 | 7,014 | 20,287 | 117,830 | - | 53,911 | 53,911 | 171,741 |
| Employee benefits | 128,288 | 14,187 | 11,150 | 15,557 | 169,182 | - | 129,602 | 129,602 | 298,784 |
| Grants | 2,895,488 | 215,317 | 425,496 | 1,905,417 | 5,441,718 | - | - | - | 5,441,718 |
| Internet donation fees | - | - | - | 24,072 | 24,072 | - | 33,525 | 33,525 | 57,597 |
| Bank and merchant fees | - | - | - | 1,273 | 1,273 | - | 7,285 | 7,285 | 8,558 |
| Special events | 20,735 | 18,969 | - | - | 39,704 | - | - | - | 39,704 |
| Contract labor | 155,400 | - | - | 35,676 | 191,076 | - | 32,570 | 32,570 | 223,646 |
| Travel | 263,147 | 260,490 | 1,715 | 44,319 | 569,671 | - | 71,100 | 71,100 | 640,771 |
| Computer expenses | 51,707 | - | - | 6,564 | 58,271 | - | 41,455 | 41,455 | 99,726 |
| Training | 21,222 | 991 | - | - | 22,213 | - | 9,571 | 9,571 | 31,784 |
| Office supplies | - | - | - | 31,343 | 31,343 | - | 20,695 | 20,695 | 52,038 |
| Printing and publishing | 9,377 | - | - | - | 9,377 | 23,416 | - | 23,416 | 32,793 |
| Postage and shipping | 1,435 | 49 | - | - | 1,484 | - | 4,983 | 4,983 | 6,467 |
| Advertising | - | - | - | 8,123 | 8,123 | 554 | - | 554 | 8,677 |
| Insurance | - | - | - | 14,991 | 14,991 | - | 52,509 | 52,509 | 67,500 |
| Video | - | - | - | - | - | 58,603 | - | 58,603 | 58,603 |
| Telephone | 7,390 | 83 | - | 3,545 | 11,018 | - | 17,936 | 17,936 | 28,954 |
| Supplies | 14,397 | 2,062 | - | - | 16,459 | - | - | - | 16,459 |
| Product development | - | - | - | 9,157 | 9,157 | - | - | - | 9,157 |
| Professional fees | - | - | - | - | - | - | 31,708 | 31,708 | 31,708 |
| Depreciation | 205,678 | - | - | 78,258 | 283,936 | - | 105,734 | 105,734 | 389,670 |
| Web site | - | - | - | 21,512 | 21,512 | 41,904 | - | 41,904 | 63,416 |
| Bad debt expense | 37,171 | 9,945 | - | 2,633 | 49,749 | - | - | - | 49,749 |
| Miscellaneous | - | - | - | 19,907 | 19,907 | 32,799 | 1,500 | 34,299 | 54,206 |
| Building maintenance and security | - | - | - | 8,777 | 8,777 | - | 21,227 | 21,227 | 30,004 |
| Utilities | - | - | - | 14,245 | 14,245 | - | 27,864 | 27,864 | 42,109 |
| Property Taxes | - | - | - | - | - | - | 3,049 | 3,049 | 3,049 |
| Other In-kind | 12,750 | - | - | - | 12,750 | - | 13,500 | 13,500 | 26,250 |
| | <u>\$ 5,033,215</u> | <u>\$ 622,516</u> | <u>\$ 546,059</u> | <u>\$ 2,564,169</u> | <u>\$ 8,765,959</u> | <u>\$ 157,276</u> | <u>\$ 1,432,095</u> | <u>\$ 1,589,371</u> | <u>\$ 10,355,330</u> |

See Notes to Consolidated Financial Statements

The Global Orphan Project, Inc. and Subsidiary
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2019

Cash Flows from Operating Activities

| | |
|--|-------------|
| Change in Net Assets | \$ 682,045 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities (items not requiring cash): | |
| Depreciation | 389,670 |
| Donation of stock | (395,794) |
| Donation of software development | (108,300) |
| Cash contributions restricted for orphan care | (1,410,896) |
| Gain on disposal of equipment | (1,303) |
| Bad debt expense | 49,749 |
| Forgiveness of notes receivable | 1,905,417 |
| Equity in earnings of affiliate | 262,829 |
| (Increase) decrease in current assets: | |
| Vision Trip receivables | 6,646 |
| Accounts receivable | (168,898) |
| Pledges receivable | 29,947 |
| Grants receivable | (116,769) |
| Contract assets | (7,083) |
| Inventory | (137,162) |
| Prepaid expenses | (28,069) |
| Increase (decrease) in current liabilities: | |
| Accounts payable | (33,814) |
| Accrued expenses | 26,204 |
| Contract liabilities | 42,825 |
| | 987,244 |

Cash Flows from Investing Activities

| | |
|--|-----------|
| Net purchases of property and equipment | (767,053) |
| Proceeds from sale of investments | 446,639 |
| Issuance of notes receivable - Life S.A. | (537,458) |
| | (857,872) |

Cash Flows from Financing Activities

| | |
|---|-----------|
| Cash contributions restricted for orphan care | 1,410,896 |
| Payments on promissory notes | (32,795) |
| Net payments and proceeds on building notes | (46,096) |
| | 1,332,005 |

Net Increase in Cash

1,461,377

Cash and Cash Equivalents, Beginning of Year

2,601,498

Cash and Cash Equivalents, End of Year

\$ 4,062,875

Supplemental Cash Flow Information

| | |
|------------------------|-----------|
| Cash paid for interest | \$ 89,176 |
|------------------------|-----------|

See Notes to Consolidated Financial Statements

The Global Orphan Project, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

The Global Orphan Project, Inc. (GO Project – www.goproject.org) (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 break the orphan cycle through the power of community, commerce, and the love of Jesus. In addition to residential care, GO Project also supports education to children, family strengthening ministry services and, through GOEX (www.goex.org), its primary sustainability initiative, GO Project launches businesses to provide living-wage and quality jobs, to promote the dignity of work, and to help keep families together. Finally, through CarePortal (www.careportal.org), a connective ministry platform, GO Project facilitates the cooperation of church and state to support child welfare in the United States and around the world.

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:

Net assets without donor restrictions - Net assets that are not subject to any donor-imposed restrictions.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds are maintained in perpetuity. The Organization has no net assets that must be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and changes in net assets.

Principles of Consolidation

The consolidated financial statements include the accounts of the Organization and its wholly owned subsidiary, 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. 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 (IRS) 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 Consolidated Financial Statements
December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Property and equipment lives range from three to 39 years.

Inventory

The Organization reports inventory at lower of cost or net realizable value. Inventory cost, consisting principally of clothing, 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 donor restricted revenue. When a donor restriction is met through the passage of time or fulfillment of a purpose restriction, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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 and software development.

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. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable

Pledges receivable in future periods are recognized as support in the period the promises are received.

Management provides an allowance for pledges receivable, 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.

Functional Expenses

The Organization allocates its expenses on a functional basis among programs, management and fund-raising. Expenses that can be identified with a specific program, management or fund-raising activity are assigned directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by management's estimate of the resources devoted to each function. The expenses that are allocated are salaries and wages, depreciation and some occupancy related expenses, which are based on estimates of time and effort.

Change in Accounting Principle

FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new principal based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. We have implemented Topic 606; however, the adoption of this standard did not have a material effect on the presentation in these financial statements.

Revenue Recognition and Accounts Receivable

The Organization's accounts receivable balance is associated with two revenue streams that are subject to Topic 606, *Revenue from Contracts with Customers*. The two revenue streams are sales of clothing and screen-printing services through the subsidiary GO Exchange LLC and software subscription fees for the CarePortal platform.

Clothing and screen-printing revenue is recognized at a point in time when the orders leave the warehouse.

Software fees are recognized over time on a monthly basis based upon the length of the software subscription.

Contracts rarely contain variable consideration and any variable consideration is considered immaterial. No allowance for doubtful accounts was deemed necessary as of December 31, 2019.

The Global Orphan Project, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2019

NOTE 2: CONTRACT BALANCES

The timing of revenue recognition, billings, and cash collections results in billed accounts receivable, unbilled receivables (contract assets), and customer advances or deposits (contract liabilities).

| | <u>Receivables</u> | <u>Contract Assets</u> | <u>Contract Liabilities</u> |
|-------------------|--------------------|------------------------|-----------------------------|
| Beginning of year | \$ 88,523 | \$ - | \$ 2,680 |
| End of year | 257,421 | 7,083 | 45,505 |

NOTE 3: AVAILABILITY AND LIQUIDITY

The Organization strives to maintain liquid financial assets sufficient to cover operating expenditures. The following table reflects the Organization's financial assets as of December 31, 2019, reduced by amounts that are not available to meet general expenditures because of contractual restrictions.

Financial assets at year end:

| | |
|---------------------------|--------------|
| Cash and cash equivalents | \$ 4,062,875 |
| Receivables | 514,016 |
| Investments | 38,920 |

Less amounts not available to be used within one year:

| | |
|------------------------------------|------------------|
| Net assets with donor restrictions | <u>1,122,689</u> |
|------------------------------------|------------------|

Financial assets available to meet general expenditures over the next twelve months

\$ 3,493,122

NOTE 4: CONCENTRATION OF CREDIT RISK

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

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2019:

| | |
|--------------------------------|---------------------|
| Building | \$ 1,303,656 |
| Furniture and equipment | 436,099 |
| Software | <u>1,473,877</u> |
| | \$ 3,213,632 |
| Less: accumulated depreciation | <u>(791,585)</u> |
| Total | <u>\$ 2,422,047</u> |

The Global Orphan Project, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2019

NOTE 6: PLEDGES RECEIVABLE

As of December 31, 2019, contributors to the Organization have made written unconditional promises to give, consisting of pledges as follows:

| | Donor Restricted | Allowance for Uncollectible Pledges | Total |
|--------------------|---------------------|--|------------|
| Less than one year | \$ 178,791 | (42,944) | \$ 135,847 |

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 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 and 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 that is significant to the fair value of the assets or liabilities.

Assets measured at fair value on a recurring basis at December 31, 2019, were as follows:

| | Total | Quoted Prices in Active Markets for Identical Assets | Significant Other Observable Inputs | Significant Observable Inputs |
|-------------------|-----------|--|---|-------------------------------------|
| Equity securities | \$ 38,920 | \$ 38,920 | \$ - | \$ - |

Equity securities

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

The Global Orphan Project, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2019

NOTE 8: INVESTMENT IN UNCONSOLIDATED AFFILIATE

At December 31, 2019, the Organization held a 41% partnership interest in Life S.A., a for profit Haitian partnership. The Organization accounts for its investment using the equity method. Life S.A. has a fiscal year end of September 30th.

Life S.A.'s assets and liabilities totaled approximately \$344,332 and \$3,094,241, respectively, as of September 30, 2019. Life S.A.'s revenues and net loss for the year ended September 30, 2019 were \$523,192 and \$609,710, respectively.

The initial investment in Life S.A. of \$50,000 has been reduced to zero and the notes receivable, in accordance with policy discussed in Note 9, have been reduced by \$262,829 to record the equity in earnings loss from the partnership investment during 2019. The cumulative reduction in the notes receivable amounts to \$1,004,880.

NOTE 9: NOTES RECEIVABLE – LIFE S.A.

During 2019, the Organization made the decision to forgive the notes receivable balance to Life S.A., which operates as the Organization's fair-trade apparel manufacturer. In conjunction with forgiving the notes receivable, the Organization recorded a grant expense of \$1,905,417 and a cumulative equity loss of \$1,004,880.

The previous notes receivables represented funds advanced to the Life S.A. partnership discussed in Note 8 above. Loans were stated at unpaid principal balances. The loans were collateralized by all the assets of Life S.A.

The notes earned interest at 4% per annum, and matured in December 2025. Interest on loans is recognized over the term of the loan and is calculated using the interest method on principal amounts outstanding.

NOTE 10: NOTES PAYABLE

Building Notes

In August of 2016, the Organization purchased a building for operations. A construction loan was entered into as the building required remodeling and a mortgage was also obtained for the purchase.

The construction loan was converted to a note in September 2017 and matures in September 2022. The note bears interest at 4% and requires monthly payments of \$1,132, with a balloon payment in the final month of approximately \$62,000.

The mortgage note on the building is to be paid over 20 years with payment terms negotiated through September 2021 at which time the parties will agree on further terms. The note bears interest at 4% and requires monthly payments of \$6,139.

The Global Orphan Project, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2019

NOTE 10: NOTES PAYABLE (CONTINUED)

Equipment Note

The Organization entered into a new loan agreement for \$850,000 in 2018. The Organization used these funds to pay off the balances of financing agreements related to equipment purchases, for additional equipment purchases and working capital. The loan requires interest only payments for the first 12 months. The total loan term is ten years after the initial 12 months with maturity in December 2029. Interest is charged at 6% for the first five years followed by the rate of United States Treasury obligations plus 3%, with the rate minimum of 5%. See Note 13 regarding the refinancing of this note after year-end.

The following is a schedule by years of future minimum principal payments required under the equipment note as of December 31, 2019:

| | |
|------------|-------------------|
| 2020 | \$ 69,465 |
| 2021 | 68,244 |
| 2022 | 72,453 |
| 2023 | 76,922 |
| 2024 | 76,922 |
| Thereafter | 485,994 |
| | <u>\$ 850,000</u> |

The following is a schedule by years of future minimum principal payments required under the building notes as of December 31, 2019:

| | |
|---------------------|-------------------|
| 2020 | \$ 48,796 |
| 2021 | 40,590 |
| 2022 | 68,526 |
| 2023 and Thereafter | 825,703 |
| | <u>\$ 983,615</u> |

The Global Orphan Project, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2019

NOTE 11: NET ASSETS

Operational donations are considered restricted because the Organization guarantees that 100% of any general donations will be used for program services. Operation expenses are covered by donors who have committed to funding and designated their contributions for supporting services expenses excluding special events of the Organization.

Net assets with donor restrictions were as follows for the year ended December 31, 2019:

| | |
|--------------|---------------------|
| Orphan Care | \$ 503,806 |
| Vision Trips | 3,979 |
| Technology | 272,004 |
| Operations | 342,900 |
| | <u>\$ 1,122,689</u> |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

| | |
|--------------|---------------------|
| Orphan Care | \$ 764,106 |
| Vision Trips | 6,646 |
| GO Exchange | 35,000 |
| Technology | 510,372 |
| Operations | 1,779,534 |
| | <u>\$ 3,095,658</u> |

NOTE 12: RELATED PARTY TRANSACTIONS

The Organization provides substantially 100% of financial support to the foreign and separate legal entities of GO Haiti, GO Africa, and GO India, which maintain separate board of directors from the Organization. This support is shown as grants in the financial statements and grants to GO Haiti, GO Africa, and GO India totaled \$1,571,505, \$418,479, and \$145,382, respectively, for the year ended December 31, 2019.

Board of director contributions totaled approximately 16% of total revenue for the year ended December 31, 2019.

NOTE 13: SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 26, 2020, which is the date the financial statements were available to be issued.

COVID 19

In March 2020, the World Health Organization declared coronavirus (COVID-19) a global pandemic. The COVID-19 outbreak and the related work restrictions has impacted the Organization and its operations. The extent to which these events will affect the future financial position and the related changes in net assets and cash flows is unknown.

The Global Orphan Project, Inc. and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2019

NOTE 13: SUBSEQUENT EVENTS (CONTINUED)

PPP Loan

In April 2020, the Organization qualified for a loan program under the Coronavirus Aid, Relief and Economic Security (CARES) Act and entered into a debt agreement for \$602,500. The proceeds will be utilized to fund payroll and other operating expenses. The loan bears interest at 1% and requires payments of \$33,738 beginning November 8, 2020. The balance of the loan is due April 8, 2022. Portions of the loan may be forgiven, provided certain requirements of the U.S. Small Business Administration Paycheck Protection Program, including provisions of the CARES Act, are met. Future minimum principle payments as of the date of report issuance are:

| | | |
|----------------------------------|------|-------------------|
| For the year ending December 31, | | |
| | 2020 | \$ 66,500 |
| | 2021 | 401,332 |
| | 2022 | 134,668 |
| | | <u>\$ 602,500</u> |

Note Payable Refinance

The equipment note was refinanced after year-end. The loan bears interest at 3.5% and requires monthly payments of \$12,930. The loan matures on June 30, 2025.

Future minimum principle payments as of the date of report issuance are:

| | | |
|----------------------------------|------------|-------------------|
| For the year ending December 31, | | |
| | 2020 | \$ 65,433 |
| | 2021 | 134,471 |
| | 2022 | 139,321 |
| | 2023 | 144,347 |
| | 2024 | 149,532 |
| | Thereafter | 76,789 |
| | | <u>\$ 709,893</u> |



EMERICK & COMPANY, P.C.

David Emerick
Rick Hann

CERTIFIED PUBLIC ACCOUNTANTS, AUDITING AND 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, 2019, and have issued our report thereon dated August 26, 2020, 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 supporting services expenses excluding special events 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 26, 2020

The Global Orphan Project, Inc. and Subsidiary
Schedule of Contributors Committed to Funding
Supporting Services Expenses Excluding Special Events
Year Ended December 31, 2019

| | |
|---|------------------|
| Support from Michael & Elizabeth Fox | \$ 503,000 |
| Support from Founders' Circle | 857,586 |
| | <u>1,360,586</u> |

Supporting Services Expenses Excluding Special Event Costs

| | |
|---|---------------------|
| Employee wages | 752,371 |
| Payroll taxes | 53,911 |
| Employee benefits | 129,602 |
| Internet donation fees | 33,525 |
| Bank and merchant fees | 7,285 |
| Contract labor | 32,570 |
| Travel | 71,100 |
| Computer expenses | 41,455 |
| Training | 9,571 |
| Office supplies | 20,695 |
| Printing and publishing | 23,416 |
| Postage and shipping | 4,983 |
| Advertising | 554 |
| Insurance | 52,509 |
| Video | 58,603 |
| Telephone | 17,936 |
| Professional fees | 31,708 |
| Depreciation | 105,734 |
| Web site | 41,904 |
| Miscellaneous | 34,299 |
| Building maintenance and security | 21,227 |
| Utilities | 27,864 |
| Property taxes | 3,049 |
| Other in-kind | 13,500 |
| | <u>1,589,371</u> |
| Total supporting service expenses excluding special events | <u>1,589,371</u> |
| | <u>\$ (228,785)</u> |

The accompanying note is an integral part of this schedule

The Global Orphan Project, Inc. & Subsidiary
Notes to Additional Information
December 31, 2019

**NOTE 1: EXPLANATION OF DEFICIT OF FOX AND FOUNDERS' CIRCLE CONTRIBUTIONS
TO SUPPORTING SERVICES EXPENSES**

Through December 31, 2019 since inception, contributions from the Fox's and the Founders' Circle have exceeded management and general expenses by approximately \$1,614,000. Therefore, no ministry donations outside of the Fox's and Founders' Circle have been used to support operations of the ministry in 2019.