

**The Global Orphan Project, Inc. & Subsidiary**

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

**December 31, 2017**

**The Global Orphan Project, Inc. & Subsidiary**  
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**December 31, 2017**

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# EMERICK & COMPANY, P.C.

David Emerick  
Rick Hann

CERTIFIED PUBLIC ACCOUNTANTS, AUDITING AND 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, 2017, 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, 2017, 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  
June 4, 2018

**The Global Orphan Project, Inc. and Subsidiary**  
**Consolidated Statement of Financial Position**  
**December 31, 2017**

**Assets**

**Current Assets**

|                              |                  |
|------------------------------|------------------|
| Cash and cash equivalents    | \$ 1,916,829     |
| Investments                  | 41,805           |
| Vision Trip receivables, net | 34,690           |
| Accounts receivable, net     | 166,733          |
| Pledges receivable, net      | 127,022          |
| Inventory                    | 538,410          |
| Prepaid expenses             | <u>38,241</u>    |
| Total Current Assets         | <u>2,863,730</u> |

**Property and Equipment**

|  |                  |
|--|------------------|
| Net of accumulated depreciation of \$195,647 | <u>1,800,750</u> |
|--|------------------|

**Noncurrent Assets**

|                                   |                  |
|-----------------------------------|------------------|
| Notes receivable - Life S.A., net | <u>1,387,339</u> |
| Total Noncurrent Assets           | <u>1,387,339</u> |

**Total Assets**

\$ 6,051,819

**Liabilities and Net Assets**

**Current Liabilities**

|  |                |
|--|----------------|
| Accounts payable                                   | \$ 316,652     |
| Accrued expenses                                   | 3,143          |
| Deferred revenue                                   | 9,358          |
| Line of credit                                     | 495,439        |
| Current portion of notes payable - promissory note | 10,907         |
| Current portion of notes payable - building        | 45,534         |
| Current portion of notes payable - equipment       | <u>52,712</u>  |
| Total Current Liabilities                          | <u>933,745</u> |

**Noncurrent Liabilities**

|                                 |                  |
|---------------------------------|------------------|
| Notes payable - promissory note | 42,861           |
| Notes payable - building        | 1,028,421        |
| Notes payable - equipment       | <u>109,882</u>   |
| Total Noncurrent Liabilities    | <u>1,181,164</u> |

**Total Liabilities**

2,114,909

**Net Assets**

|                                   |                  |
|-----------------------------------|------------------|
| Unrestricted net assets           | 3,385,173        |
| Temporarily restricted net assets | <u>551,737</u>   |
| Total Net Assets                  | <u>3,936,910</u> |

**Total Liabilities and Net Assets**

\$ 6,051,819

See Notes to Consolidated Financial Statements

**The Global Orphan Project, Inc. and Subsidiary**  
**Consolidated Statement of Activities and Changes in Net Assets**  
**For the Year Ended December 31, 2017**

| <b>Revenue and Support</b>                      | Unrestricted            | Temporarily<br>Restricted | Total                   |
|---|-------------------------|---------------------------|-------------------------|
| Orphan Care                                     | \$ 1,074,944            | \$ 2,446,761              | \$ 3,521,705            |
| Trip Program Services                           | -                       | 838,911                   | 838,911                 |
| GO Fund - Sustainability                        | -                       | 348,683                   | 348,683                 |
| GO Exchange                                     | -                       | 662,193                   | 662,193                 |
| Operations                                      | -                       | 1,553,817                 | 1,553,817               |
| Special Events                                  | 154,570                 | -                         | 154,570                 |
| Sales, net of cost of goods sold                | 272,426                 | -                         | 272,426                 |
| Equity in Earnings of Affiliate                 | (371,678)               | -                         | (371,678)               |
| In-Kind Revenue                                 | 656,195                 | -                         | 656,195                 |
| Net Assets Released from Restrictions           | <u>7,227,308</u>        | <u>(7,227,308)</u>        | <u>-</u>                |
| Total Revenue and Support                       | <u>9,013,765</u>        | <u>(1,376,943)</u>        | <u>7,636,822</u>        |
| <br><b>Expenses</b>                             |                         |                           |                         |
| Program Services                                |                         |                           |                         |
| Orphan Care                                     | 3,714,471               | -                         | 3,714,471               |
| Orphan Care Mission Trips                       | 821,386                 | -                         | 821,386                 |
| GO Fund Sustainability                          | 504,343                 | -                         | 504,343                 |
| GO Exchange Merchandise                         | <u>1,156,702</u>        | <u>-</u>                  | <u>1,156,702</u>        |
|   | <u>6,196,902</u>        | <u>-</u>                  | <u>6,196,902</u>        |
| Support Services                                |                         |                           |                         |
| Fundraising                                     | 252,426                 | -                         | 252,426                 |
| Management and General                          | <u>937,361</u>          | <u>-</u>                  | <u>937,361</u>          |
|   | <u>1,189,787</u>        | <u>-</u>                  | <u>1,189,787</u>        |
| Total Expenses                                  | <u>7,386,689</u>        | <u>-</u>                  | <u>7,386,689</u>        |
| <br><b>Change in Net Assets from Operations</b> | <br>1,627,076           | <br>(1,376,943)           | <br>250,133             |
| <br><b>Other Changes in Net Assets</b>          |                         |                           |                         |
| Unrealized Loss on Investments                  | (80)                    | -                         | (80)                    |
| Interest Income                                 | 68,712                  | -                         | 68,712                  |
| Interest Expense                                | (71,380)                | -                         | (71,380)                |
| Other Income                                    | 2,885                   | -                         | 2,885                   |
| Gain on Disposal of Equipment                   | <u>12,134</u>           | <u>-</u>                  | <u>12,134</u>           |
| <br><b>Change in Net Assets</b>                 | <br>1,639,347           | <br>(1,376,943)           | <br>262,404             |
| <br><b>Net Assets, Beginning of Year</b>        | <br><u>1,745,826</u>    | <br><u>1,928,680</u>      | <br><u>3,674,506</u>    |
| <br><b>Net Assets, End of Year</b>              | <br><u>\$ 3,385,173</u> | <br><u>\$ 551,737</u>     | <br><u>\$ 3,936,910</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, 2017**

|                                   | Program Services    |                                 |                           |                            | Support Services    |                   |                           | Total Expenses      |                     |
|-----------------------------------|---------------------|---------------------------------|---------------------------|----------------------------|---------------------|-------------------|---------------------------|---------------------|---------------------|
|                                   | Orphan<br>Care      | Orphan<br>Care<br>Mission Trips | GO Fund<br>Sustainability | GO Exchange<br>Merchandise | Total               | Fund -<br>raising | Management<br>and General |                     | Total               |
| Employee wages                    | \$ 838,193          | \$ 92,602                       | \$ 124,953                | \$ 439,326                 | \$ 1,495,074        | \$ -              | \$ 562,126                | \$ 562,126          | \$ 2,057,200        |
| Payroll taxes                     | 61,962              | 6,211                           | 8,698                     | 47,128                     | 123,999             | -                 | 40,011                    | 40,011              | 164,010             |
| Employee benefits                 | 105,819             | 25,265                          | 15,750                    | 82,809                     | 229,643             | -                 | 72,961                    | 72,961              | 302,604             |
| Grants                            | 2,120,683           | 161,879                         | 327,317                   | -                          | 2,609,879           | -                 | -                         | -                   | 2,609,879           |
| Internet donation fees            | -                   | -                               | -                         | 15,820                     | 15,820              | -                 | 26,248                    | 26,248              | 42,068              |
| Bank and merchant fees            | -                   | -                               | -                         | 1,716                      | 1,716               | -                 | 6,874                     | 6,874               | 8,590               |
| Special events                    | 10,292              | 12,733                          | -                         | -                          | 23,025              | 159,218           | -                         | 159,218             | 182,243             |
| Contract labor                    | 194,669             | -                               | -                         | 17,353                     | 212,022             | -                 | 7,181                     | 7,181               | 219,203             |
| Lodging                           | 20,110              | 12,949                          | 15,100                    | 9,054                      | 57,213              | -                 | 1,690                     | 1,690               | 58,903              |
| Transportation                    | 93,237              | 501,180                         | 11,582                    | 52,138                     | 658,137             | -                 | 13,039                    | 13,039              | 671,176             |
| Computer expenses                 | 62,320              | -                               | -                         | -                          | 62,320              | -                 | 21,176                    | 21,176              | 83,496              |
| Meals                             | 28,249              | 5,812                           | 912                       | 10,200                     | 45,173              | -                 | 18,490                    | 18,490              | 63,663              |
| Training                          | 18,138              | 122                             | -                         | -                          | 18,260              | -                 | 4,029                     | 4,029               | 22,289              |
| Office supplies                   | -                   | -                               | -                         | 17,372                     | 17,372              | -                 | 12,934                    | 12,934              | 30,306              |
| Printing and publishing           | 1,420               | -                               | -                         | -                          | 1,420               | 19,804            | -                         | 19,804              | 21,224              |
| Postage and shipping              | 365                 | 19                              | -                         | -                          | 384                 | -                 | 4,209                     | 4,209               | 4,593               |
| Advertising                       | -                   | -                               | -                         | 21,051                     | 21,051              | 3,100             | -                         | 3,100               | 24,151              |
| Insurance                         | -                   | -                               | -                         | 26,802                     | 26,802              | -                 | 29,056                    | 29,056              | 55,858              |
| Video                             | -                   | -                               | -                         | -                          | -                   | 54,771            | -                         | 54,771              | 54,771              |
| Telephone                         | 12,346              | 1,219                           | 31                        | 2,776                      | 16,372              | -                 | 16,612                    | 16,612              | 32,984              |
| Supplies                          | 27,423              | -                               | -                         | -                          | 27,423              | -                 | -                         | -                   | 27,423              |
| Product development               | -                   | -                               | -                         | 7,136                      | 7,136               | -                 | -                         | -                   | 7,136               |
| Professional fees                 | -                   | -                               | -                         | -                          | -                   | -                 | 30,364                    | 30,364              | 30,364              |
| Depreciation                      | 77,499              | -                               | -                         | 38,914                     | 116,413             | -                 | 35,233                    | 35,233              | 151,646             |
| Web site                          | -                   | -                               | -                         | 36,270                     | 36,270              | 5,095             | -                         | 5,095               | 41,365              |
| Bad debt expense                  | 41,746              | 995                             | -                         | 215,597                    | 258,338             | -                 | -                         | -                   | 258,338             |
| Donation of inventory             | -                   | -                               | -                         | 10,003                     | 10,003              | -                 | -                         | -                   | 10,003              |
| Giving to kids                    | -                   | -                               | -                         | 67,419                     | 67,419              | -                 | -                         | -                   | 67,419              |
| Miscellaneous                     | -                   | 400                             | -                         | 2,620                      | 3,020               | 10,438            | 447                       | 10,885              | 13,905              |
| Rent                              | -                   | -                               | -                         | 1,099                      | 1,099               | -                 | 675                       | 675                 | 1,774               |
| Building maintenance and security | -                   | -                               | -                         | 6,737                      | 6,737               | -                 | 14,178                    | 14,178              | 20,915              |
| Utilities                         | -                   | -                               | -                         | 27,362                     | 27,362              | -                 | 19,828                    | 19,828              | 47,190              |
|                                   | <u>\$ 3,714,471</u> | <u>\$ 821,386</u>               | <u>\$ 504,343</u>         | <u>\$ 1,156,702</u>        | <u>\$ 6,196,902</u> | <u>\$ 252,426</u> | <u>\$ 937,361</u>         | <u>\$ 1,189,787</u> | <u>\$ 7,386,689</u> |

See Notes to Consolidated Financial Statements

**The Global Orphan Project, Inc. and Subsidiary**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2017**

**Cash Flows from Operating Activities**

|  |                    |
|--|--------------------|
| Change in Net Assets   | \$ 262,404         |
| Adjustments to reconcile change in net assets to net cash provided by operating activities (items not requiring cash): |                    |
| Depreciation   | 151,646            |
| Donation of stock, software development and event sponsorship  | (656,195)          |
| Donation of inventory  | 10,003             |
| Unrealized loss on investments   | 80                 |
| Cash contributions restricted for orphan care  | (2,438,548)        |
| Gain on disposal of equipment  | (12,134)           |
| Bad debt expense   | 258,338            |
| Forgiveness of note converted to contribution  | (20,000)           |
| Equity in earnings of affiliate  | 371,678            |
| <br>(Increase) decrease in current assets:   |                    |
| Vision Trip receivables  | (1,222)            |
| Accounts receivable  | 14,841             |
| Pledges receivable   | (27,207)           |
| Inventory  | (244,735)          |
| Prepaid expenses   | (2,103)            |
| <br>Increase (decrease) in current liabilities:  |                    |
| Accounts payable   | 29,421             |
| Accrued expenses   | (3,389)            |
| Deferred revenue   | 9,358              |
| <br>Net cash used by operating activities  | <u>(2,297,764)</u> |

**Cash Flows from Investing Activities**

|   |                  |
|---|------------------|
| Net change in property and equipment      | (316,901)        |
| Proceeds from sale of investments         | 496,016          |
| Issuance of notes receivable - Life S.A.  | (832,870)        |
| <br>Net cash used by investing activities | <u>(653,755)</u> |

**Cash Flows from Financing Activities**

|   |                  |
|---|------------------|
| Cash contributions restricted for orphan care | 2,438,548        |
| Net proceeds and payments on line of credit   | 457,774          |
| Payments on promissory notes                  | (11,033)         |
| Payments on building notes                    | (34,443)         |
| Payments on equipment notes                   | (72,767)         |
| <br>Net cash provided by financing activities | <u>2,778,079</u> |

|   |                     |
|---|---------------------|
| <b>Net Decrease in Cash</b>                             | (173,440)           |
| <br><b>Cash and Cash Equivalents, Beginning of Year</b> | <u>2,090,269</u>    |
| <br><b>Cash and Cash Equivalents, End of Year</b>       | <u>\$ 1,916,829</u> |

**Supplemental Cash Flow Information**

|                        |                  |
|------------------------|------------------|
| Cash paid for interest | <u>\$ 71,380</u> |
|------------------------|------------------|

See Notes to Consolidated Financial Statements

**The Global Orphan Project, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Basis of Presentation**

The Global Orphan Project, Inc. (GO Project – [www.goproject.org](http://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 expand the capacity of the local church so that they can provide orphan care, orphan prevention, and transition services to local children and families in need with significant work completed in foreign countries. In addition to residential care, GO Project also supports education to children and, through GOEX ([www.goex.org](http://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](http://www.careportal.org)), the domestic orphan care/orphan prevention initiative, GO Project facilitates the cooperation of church and state to support child welfare in the United States.

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, 2017.

**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 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, 2017**

**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**

Prior to 2017, the Organization reported inventories at the lower of cost or market. As of the beginning of 2017 the Organization began stating inventories prospectively at the lower of cost and net realizable value. This change was made in response to a recent FASB standard issued as part of the Board's simplification initiative.

Under the prior method, "market" was replacement cost, subject to possible adjustments. Net realizable value is based on the selling price. The change is intended to reduce complexity in financial statement preparation.

This change had no significant effect on the change in net assets for 2017.

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 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 and software development.

**The Global Orphan Project, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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. As of December 31, 2017 management determined that an allowance was not necessary.

**NOTE 2: 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 3: PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31, 2017:

|                                |                     |
|--------------------------------|---------------------|
| Building                       | \$ 1,272,622        |
| Furniture and equipment        | 195,150             |
| Software                       | <u>528,625</u>      |
|                                | \$ 1,996,397        |
| Less: accumulated depreciation | <u>(195,647)</u>    |
| Total                          | <u>\$ 1,800,750</u> |

**The Global Orphan Project, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017**

**NOTE 4: PLEDGES RECEIVABLE**

As of December 31, 2017, contributors to the Organization have made written unconditional promises to give, consisting of pledges as follows:

|                    | Temporarily<br>Restricted | Allowance<br>for<br>Uncollectible<br>Pledges | Total      |
|--------------------|---------------------------|--|------------|
| Less than one year | \$ 160,300                | (33,278)                                     | \$ 127,022 |
| Total              | \$ 160,300                | (33,278)                                     | \$ 127,022 |

**NOTE 5: INVESTMENT IN UNCONSOLIDATED AFFILIATE**

At December 31, 2017, the Organization held a 40% 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 \$663,992 and \$1,842,728, respectively, as of September 30, 2017. Life S.A.'s revenues and net loss for the year ended September 30, 2017 were \$564,708 and \$906,566, respectively.

The initial investment balance of \$50,000 has been reduced to zero and the notes receivable discussed in note 6 have been reduced by \$371,678 to record the equity in earnings loss from the partnership investment. The cumulative reduction in the notes receivable amounts to \$461,737.

**NOTE 6: NOTES RECEIVABLE – LIFE S.A.**

Notes receivable represent funds advanced to Life S.A. partnership discussed in Note 5 above. Loans are stated at unpaid principal balances. The loans are collateralized by all the assets of Life S.A.

Repayment of the notes has been renegotiated to begin in January 2019, bear interest at 4% per annum, and mature 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. The Organization will charge off any loan or portion of a loan when the loan is determined by management to be uncollectible due to Life S.A.'s failure to meet repayment terms, deteriorated financial condition, the depreciation of the underlying collateral, or for other reasons. Based on the payment history, management has established an allowance against the note at fifteen percent of the net balance for a total of \$244,825 as of December 31, 2017.

**NOTE 7: LINE OF CREDIT**

The Organization maintains a line of credit with a financial institution with a maximum borrowing limit of \$500,000. The line bears interest at a variable rate based on the Wall Street Journal prime rate. The current rate is 4.25%. The line is collateralized by substantially all of the Organization's assets. The balance at December 31, 2017 is \$495,439 and is due October 30, 2018.

**The Global Orphan Project, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017**

**NOTE 8: NOTES PAYABLE**

**Promissory Note**

The Organization entered into a loan agreement with a former officer of the Organization during 2016. The loan had an original balance of \$80,000 with a balance of \$82,400 at December 31, 2016 including accrued interest. In 2017, the loan has been amended to forgive \$22,400, which has been recorded as a contribution. The amended loan bears interest at 4% and is to be paid in monthly installments of \$1,072 with a maturity on July 31, 2022.

The following is a schedule by years of future minimum payments required under the note as of December 31, 2017:

|      |  |           |
|------|--|-----------|
| 2018 |  | \$ 10,907 |
| 2019 |  | 11,351    |
| 2020 |  | 11,813    |
| 2021 |  | 12,295    |
| 2022 |  | 7,402     |
|      |  | \$ 53,768 |

**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, which was similar to a line of credit, 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 following is a schedule by years of future minimum principal payments required under the note as of December 31, 2017:

|            |  |              |
|------------|--|--------------|
| 2018       |  | \$ 45,534    |
| 2019       |  | 43,918       |
| 2020       |  | 44,317       |
| 2021       |  | 44,734       |
| 2022       |  | 94,788       |
| Thereafter |  | 800,664      |
|            |  | \$ 1,073,955 |

**The Global Orphan Project, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017**

**NOTE 8: NOTES PAYABLE (Continued)**

**Equipment Notes**

The Organization has a financing agreement for an equipment purchase, which requires 36 monthly payments of \$2,000 and matures April 2019.

The Organization has a note with a financial institution for the purchase of equipment, which requires 59 monthly payments of \$3,013, bearing interest at 4% and matures in December 2021.

The following is a schedule by years of future minimum principal payments required under the equipment notes as of December 31, 2017:

|      |  |            |
|------|--|------------|
| 2018 |  | \$ 52,712  |
| 2019 |  | 39,477     |
| 2020 |  | 33,325     |
| 2021 |  | 37,080     |
|      |  | \$ 162,594 |

**NOTE 9: TEMPORARILY RESTRICTED NET ASSETS**

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

|              |  |            |
|--------------|--|------------|
| Orphan Care  |  | \$ 131,743 |
| Vision Trips |  | 34,690     |
| Operations   |  | 385,304    |
|              |  | \$ 551,737 |

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 the management and general expenses of the Organization.

**The Global Orphan Project, Inc. and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017**

**NOTE 10: 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, 2017, were as follows:

|                   | Total            | Quoted Prices in<br>Active Markets for<br>Identical Assets | Significant<br>Other Observable<br>Inputs | Significant<br>Observable<br>Inputs |
|-------------------|------------------|--|---|-------------------------------------|
| Equity securities | \$ 41,805        | \$ 41,805  | \$ -                                      | \$ -                                |
| Investments       | 41,805           | 41,805   | -   | -                                   |
| Total             | <u>\$ 41,805</u> | <u>\$ 41,805</u>   | <u>\$ -</u>                               | <u>\$ -</u>                         |

Equity securities

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

**NOTE 11: 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 payments to GO Haiti, GO Africa, and GO India totaled \$1,682,249, \$297,336, and \$99,715, respectively.

Board of director contributions totaled approximately 12% of total revenue for the year ended December 31, 2017.

**NOTE 12: SUBSEQUENT EVENTS**

Subsequent events have been evaluated through June 4, 2018, which is the date the financial statements were available to be issued.



**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, 2017, and have issued our report thereon dated June 4, 2018, 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  
June 4, 2018

**The Global Orphan Project, Inc. and Subsidiary**  
**Schedule of Contributors Committed to Funding**  
**Supporting Services Expenses Excluding Special Events**  
**Year Ended December 31, 2017**

|   |                  |
|---|------------------|
| <b>Support from Michael &amp; Elizabeth Fox</b> | \$ 280,265       |
| <b>Support from Founders' Circle</b>            | 1,014,634        |
|   | <u>1,294,899</u> |

**Supporting Services Expenses Excluding Special Event Costs**

|                                   |                   |
|-----------------------------------|-------------------|
| Employee wages                    | 562,126           |
| Payroll taxes                     | 40,011            |
| Employee benefits                 | 72,961            |
| Internet donation fees            | 26,248            |
| Bank and merchant fees            | 6,874             |
| Contract labor                    | 7,181             |
| Lodging                           | 1,690             |
| Transportation                    | 13,039            |
| Computer expenses                 | 21,176            |
| Meals                             | 18,490            |
| Training                          | 4,029             |
| Office supplies                   | 12,934            |
| Printing and publishing           | 19,804            |
| Postage and shipping              | 4,209             |
| Advertising                       | 3,100             |
| Insurance                         | 29,056            |
| Video                             | 54,771            |
| Telephone                         | 16,612            |
| Professional fees                 | 30,364            |
| Depreciation                      | 35,233            |
| Web site                          | 5,095             |
| Miscellaneous                     | 10,885            |
| Rent                              | 675               |
| Building maintenance and security | 14,178            |
| Utilities                         | 19,828            |
|                                   | <u>1,030,569</u>  |
|                                   | <u>\$ 264,330</u> |