

**GLOBAL OPERATIONS AND DEVELOPMENT  
DBA GIVING CHILDREN HOPE**

**FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**Independent Auditor's Report**

**Suzanne Bryant CPA**

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To the Board of Directors  
Global Operations and Development  
DBA Giving Children Hope

### **Report on the Financial Statements**

I have audited the accompanying financial statements of Global Operations and Development, dba Giving Children Hope, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the period ending June 30, 2016, 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 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***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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, I 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 financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### ***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Global Operations and Development dba Giving Children Hope as of June 30, 2016, and the changes in its net assets and its cash flows for the period ending June 30, 2016 then ended in accordance with accounting principles generally accepted in the United States of America.

Suzanne Bryant CPA  
November 10, 2016

**GLOBAL OPERATIONS AND DEVELOPMENT  
DBA GIVING CHILDREN HOPE  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2016**

**ASSETS**

<b><u>Current Assets:</u></b> (Notes 1, 2, 3, 4, 7, 8, and 9)	
Cash and cash equivalents	\$ 555,348
Inventories	17,086,798
Other current assets	<u>23,800</u>
Total Current Assets	<u>17,665,946</u>
<b><u>Noncurrent Assets:</u></b> (Notes 1, 2, 4, 5, and 6)	
Property and equipment, net	<u>2,100,557</u>
Total Noncurrent Assets	<u>3,881,079</u>
<b>TOTAL ASSETS</b>	<b>\$ <u><u>21,547,025</u></u></b>

**LIABILITIES AND NET ASSETS**

<b><u>Current Liabilities:</u></b> (Notes 1 and 11)	
Accounts payable	\$ 45,089
Accrued payroll	14,995
Accrued expenses	109,281
Current portion of notes payable	<u>54,230</u>
Total Current Liabilities	<u>223,595</u>
<b><u>Long-Term Liabilities:</u></b> (Note 10)	
Notes payable, net of current portion	<u>2,258,197</u>
Total Long-Term Liabilities	<u>2,258,197</u>
Total Liabilities	<u>2,481,792</u>
<b><u>Net Assets:</u></b> (Notes 1 and 2)	
Unrestricted	19,065,233
Temporarily restricted	
Permanently restricted	
Total Net Assets	<u>19,065,233</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u><u>21,547,025</u></u></b>

The accompanying notes are an integral part of these financial statement

**GLOBAL OPERATIONS AND DEVELOPMENT  
DBA GIVING CHILDREN HOPE  
STATEMENT OF ACTIVITIES  
FOR THE PERIOD ENDED JUNE 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b><u>Support and Revenue:</u></b>				
Funds Raised	\$ 749,475	\$	\$	\$ 749,475
Program service revenue	423,349			423,349
Other income	251,950			251,950
	<u>1,424,774</u>			<u>1,424,774</u>
Gift in Kind (non-cash)	<u>33,115,959</u>	<u>                    </u>	<u>                    </u>	<u>33,115,959</u>
Total Support and Revenue	<u>34,540,733</u>	<u>                    </u>	<u>                    </u>	<u>34,540,733</u>
<b><u>Expenses:</u></b>				
<b>Program Services:</b>				
Global Operations	319,280			319,280
We've Got Your Back	294,302			294,302
Giving for a Living	259,865			259,865
Program cash expended	<u>873,447</u>			<u>873,447</u>
GIK used for programs	<u>30,033,282</u>			<u>30,033,282</u>
Total Program Services	<u>30,906,729</u>	<u>                    </u>	<u>                    </u>	<u>30,906,729</u>
<b>Supporting Services:</b>				
Management and general	236,719			236,719
Fundraising	270,878			270,878
Total Supporting Services	<u>507,597</u>	<u>                    </u>	<u>                    </u>	<u>507,597</u>
Total Program and Supporting Services	<u>31,414,326</u>	<u>                    </u>	<u>                    </u>	<u>31,414,326</u>
<b>Other Expenses</b>				
Depreciation	101,839			101,839
Interest	136,727			136,727
Property tax	2,542			2,542
<b>Total Expenses</b>	<u>31,655,434</u>	<u>                    </u>	<u>                    </u>	<u>31,655,434</u>
Change in Net Assets	2,885,299			2,885,299
Unrealized increase in value of building	1,780,576			1,780,576
Net Assets at Beginning of Year	<u>14,399,358</u>	<u>                    </u>	<u>                    </u>	<u>14,399,358</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 19,065,233</u>	<u>\$</u>	<u>\$</u>	<u>\$ 19,065,233</u>

The accompanying notes are an integral part of these financial statements:

**GLOBAL OPERATIONS AND DEVELOPMENT  
DBA GIVING CHILDREN HOPE  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE PERIOD ENDED JUNE 30, 2016**

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total
	Global Operations	We've Got Your Back	Giving for a Living		Management and General	Fundraising		
<b>Salaries and Related Expenses:</b>								
Salaries and wages	\$ 128,120	\$ 132,180	\$ 111,340	\$ 371,640	\$ 108,504	\$ 145,036	\$ 253,540	\$ 625,180
Payroll taxes and employee benefits	18,506	13,335	17,132	48,973	24,161	17,890	42,051	91,024
Total Salaries and Related expenses	<u>146,626</u>	<u>145,515</u>	<u>128,472</u>	<u>420,613</u>	<u>132,665</u>	<u>162,926</u>	<u>295,591</u>	<u>716,204</u>
<b>Nonsalary Related Expenses:</b>								
Outgoing Program GIK	17,055,664	6,225,536	6,752,082	30,033,282				30,033,282
State & Fed Campaign Fees						10,757	10,757	10,757
Direct Mail Expenses						7,004	7,004	7,004
Gala Event						31,157	31,157	31,157
Purchased Goods	10,000			10,000				10,000
Assistance to Individuals					350		350	350
Bus Registration Fees						5	5	5
Penalties/Fines					36		36	36
Inventory Management					37,845		37,845	37,845
Grant Writing						12,825	12,825	12,825
Warehouse supplies	4,449	4,546	4,446	13,441			-	13,441
Production		80,846		80,846				80,846
Shipping	93,424			93,424				93,424
Professional Fee					912	361	1,273	1,273
Contract Services	27,034			27,034	15,838		15,838	42,872
Repair & Maintenance	3,539	2,653	2,654	8,846				8,846
Vehicle	1,693	19,565	6,769	28,027				28,027
Occupancy	14,751	14,751	14,750	44,252				44,252
Purchased food and goods		11,471	10,000	21,471				21,471
Dues & Subscript and memberships	8,578		9,380	17,958	975	4,456	5,431	23,389
Postage and Printing	1,184	356	689	2,229	2,072	7,889	9,961	12,190
Computer					411	534	945	945
Office Supplies	94	2,414	23	2,531	2,806	31	2,837	5,368
Telephone					15,624		15,624	15,624
Bank, CC, and Merchant Fees					19,460		19,460	19,460
Advertising		277		277	1,640	27,391	29,031	29,308
Design Costs						3,755	3,755	3,755
Other Costs	2,508	11,888	82,411	96,807	654	807	1,461	98,268
Insurance	500			500	2,069		2,069	2,569
Travel and entertainment	4,900	20	271	5,191	3,362	980	4,342	9,533
<b>TOTAL PROGRAM AND SUPPORTING SERVICES EXPENSES</b>	<u>\$ 17,374,944</u>	<u>\$ 6,519,838</u>	<u>\$ 7,011,947</u>	<u>\$ 30,906,729</u>	<u>\$ 236,719</u>	<u>\$ 270,878</u>	<u>\$ 507,597</u>	<u>\$ 31,414,326</u>

The accompanying notes are an integral part of these financial statements.

**GLOBAL OPERATIONS AND DEVELOPMENT  
DBA GIVING CHILDREN HOPE  
STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED JUNE 30, 2016**

**Cash Flows From Operating Activities:**

Change in net assets	\$ 2,885,299
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>	
Donated inventory-received	(33,115,959)
Donated materials - distributed	30,033,282
 <b>(Increase) Decrease in:</b>	
Receivables	36,727
Other assets	(23,800)
 <b>Increase (Decrease) in:</b>	
Accounts payable	14,779
Accrued expenses	83,134
Net Cash Provided by Operating Activities	<u>(86,538)</u>

**Cash Flows From Investing Activities:**

Purchase of property and equipment	(110,541)
Net Cash Used in Investing Activities	<u>(110,541)</u>

**Cash Flows From Financing Activities:**

Principal payments on notes payable	(229,343)
Net Cash Used in Financing Activities	<u>(229,343)</u>

Net Increase in Cash and Cash Equivalents (426,422)

Cash and Cash Equivalents at Beginning of Year and adjustments 981,770

**CASH AND CASH EQUIVALENTS AT END OF YEAR** **\$ 555,348**

**Operating reconciliation to cash flows**

Excess revenue over operating expenses	2,885,299
Increase in inventory	(2,971,837)
Cash Flow from Operating Activities	<u>(86,538)</u>

**Supplemental Disclosure of Cash Flow Information:**

Cash paid during the year for:	
Interest	<u>\$ 136,727</u>

The accompanying notes are an integral part of the financial statements

GLOBAL OPERATIONS AND DEVELOPMENT  
DBA GIVING CHILDREN HOPE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note 1 – Nature of Activities:**

**Organization**

Global Operations and Development Dba Giving Children Hope is a California Nonprofit Corporation formed in 1982 for public and charitable purposes. The mission of the organization is to provide medical equipment, medical supplies, food, clothing, training tools, and materials to the impoverished people of the world, both locally and abroad. Global Operations and Development, dba Giving Children Hope receives funding from both private and government grants.

The following is a brief description of the Organization's programs:

**1. Global Operations (Medical Resources)**

We receive donated equipment from doctor offices and hospitals who are updating their equipment or from equipment manufacturers. The medical supplies are from manufacturers and distributors and are generally short-dated so our turnover time to reach those in need is immediate so that they can get full value of the product. We ship internationally. For example, we've sent supplies to Syrian refugees in the Middle East and to those who suffered from Typhoon Haiyan in the Philippines. In our early years, we sent around 2 containers per year and now we send close to 40 per year thanks to our family of donors. The number of containers we send can depend on a specific disaster relief effort or containers to established clinics and hospital projects. In addition to medical supplies we also send pharmaceuticals to clinics internationally.

**Key Info/Statistics:**

- Ebola Relief 7 containers
- Syrian Refugees 21 containers
- Philippines disaster relief 21 containers
- We partner with other nonprofits, orphanages, or clinics to assist them in serving those in need.
- Potentially 30-40,000 lives can be impacted by each container.
- The value of each container is approximately \$250,000.
- Along with the medical equipment sent in each container we give 6 months of medical supplies to maintain the medical equipment.
- "Basic Needs" items for Syrian refugees are first aid supplies, clothing, blankets, and hygiene products. Items that are needed if they are in a refugee camp or living in temporary housing situations.
- Our projects in the Philippines have become long-term feeding programs.
- "Disaster Relief" items for Filipino people are first aid supplies, shoes, water purifiers, tarps, hygiene products, Vitameal (food), and we have even sent boats.

**2. Nutritional Foods (WGYB) Founded in 2006-10-year anniversary!**

We supply homeless students in local schools with food through a backpack program. Every week these students receive a backpack of food that will feed a family of four for an entire weekend. The McKinney Vento Homeless Assistance Act is a piece of federal legislation that helps the schools identify the housing and financial status of their families. Giving Children Hope partners with the schools who identify children/families in need and enroll them in the program.



GLOBAL OPERATIONS AND DEVELOPMENT  
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Key Info/Statistics:

- We partner with the schools to distribute the food.
- There are more than 30,000 homeless kids in Orange County.
- When we use the term “homeless” it can mean many things under McKinney Vento. Families who are living in motels, unstable housing, and multi-family living situations can all be considered homeless.
- Giving Children Hope started with 30 families in the program but because of the need in the community we now serve 1,200 families each week (5,216 people)
- We serve 10 tons of food each week
- As part of the program we offer Financial Literacy and Nutrition classes
- WGYB is in 61 schools in OC
- The only restriction on this program is food; we won’t add schools unless we can guarantee food for the year.

**3. Basic Needs (GFL)**

Giving for Living is a donation center where other nonprofits, who share our mission in caring for the poor, can collect supplies for their ministry. These items are donated to us by local retailers and we are certified to distribute them to those in need. Some items may have a small handling fee so that we can keep the lights on and the doors open but even this amount is an asked donation. We maximize nonprofits’ limited funding by providing resources to help them reach their goals. Current partners that benefit from our program include pregnancy centers, homeless shelters, drug rehabilitation programs, youth programs, senior centers, and a variety of churches throughout Southern California. GFL ties into the greater picture of Giving Children Hope by equipping others and making things available to those who are serving the disadvantaged.

**Note 2 – Significant Accounting Policies:**

**Method of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

GLOBAL OPERATIONS AND DEVELOPMENT  
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JUNE 30, 2016

**Note 2 - Significant Accounting Policies: (Continued)**

**Financial Statement Presentation**

The financial statements present information regarding the financial position and activities according to three classes of net assets: unrestricted net asset's, temporarily restricted net assets and permanently restricted net assets.

- Unrestricted net assets – Net assets not subject to donor imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor imposed stipulations that will be met by actions of the Organization and/or the passage of time. When a donor stipulated time, restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- Permanently restricted net assets – Net assets subject to donor imposed stipulations requiring that they be maintained permanently by the Organization. The income from these assets is available for either general operations or specific programs as specified by the donor.

The FASB has issued reporting standards for endowments of not-for-profit Organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and enhanced disclosures for all endowment funds. The standards provide guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA, which serves as a model act for states to modernize their laws governing donor-restricted endowment funds. The standards also require additional disclosures about endowments (both donor-restricted funds and board-designated funds) to enable users of financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policies, and related investment policies of its endowment funds.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Risks and Uncertainties**

The Organization invests its money in savings accounts which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments and savings vehicles, it is at least reasonably possible that changes in the values of investment securities and savings will occur in the near term and such changes could materially affect the amounts reported in the statement of financial position.

GLOBAL OPERATIONS AND DEVELOPMENT  
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**Contributions**

Contributions are recognized when the donor makes a promise to give to the Organization that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. There was no contributions receivable at June 30, 2016.

**Note 2 - Significant Accounting Policies: (Continued)**

**Capitalization and Depreciation**

The Organization capitalizes all expenditures in excess of \$500 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment is depreciated using the straight-line method over the estimated useful asset lives as follows:

Building and improvements	5 - 30 years
Furniture and equipment	3 - 10 years

Depreciation totaled \$101,839 for the period ended June 30, 2016.

Maintenance, repairs and minor renewals are charged to operations as incurred. Upon sale or disposition of land, buildings and equipment, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale. Any resultant gain or loss is credited or charged to earnings.

GLOBAL OPERATIONS AND DEVELOPMENT  
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NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**Note 2 - Significant Accounting Policies: (Continued):**

**Compensated Absences**

Accumulated unpaid vacation is accrued when incurred and is classified as accrued liabilities on the balance sheet. Paid time off is accrued at 03% per hour worked, resulting in ten paid days off per year.

**Income Taxes**

The Organization is a public charity and is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization is not a private foundation.

The Organization's Return of Organization Exempt from Income Tax for the periods ended June 30, 2016, June 30, 2015, December 31, 2014, and 2013 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

**Inventory**

Inventory consists of medical equipment, medical supplies, food, clothing, training tools, and materials. Inventory is accounted for using the specific identification method. Donated goods are recorded as contributions at their estimated fair value at the date of donation.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

**Fair Value of Building**

The Organization has appraised the fair value of its Building on Commonwealth Avenue in Buena Park CA. Thus, the amount shown on these statements reflects a fair market write up of \$575,259. The increase in fair market value is carried as an unrecognized amount in the Statement of Activities and will not be recognized until the building is sold if ever.

GLOBAL OPERATIONS AND DEVELOPMENT  
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**Note 2 - Significant Accounting Policies: (Continued):**

**Donated Services, Office Space and Materials**

The Organization utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Organization received donated medical equipment, contributions of goods for program services, professional services, supplies and other equipment. These in-kind items have been recorded at fair value as in-kind contributions in the statement of activities.

The in-kind contributions consist of the following for the period ended June 30, 2016:

GIK-Pharmaceuticals	\$	15,752,837
GIK-Goods		7,778,184
GIK-Medical Supplies		6,635,771
GIK-Medical Equipment		242,611
GIK Other		<u>2,706,556</u>
	\$	33,115,959

**Allocated Expenses**

The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support services are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by the Organization's management.

GLOBAL OPERATIONS AND DEVELOPMENT  
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NOTES TO THE FINANCIAL STATEMENTS  
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**Note 3 - Property and Equipment:**

Property and equipment consist of the following at June 30, 2016:

Transportation Equipment	\$	70,111
Office Equipment		10,426
Furniture and Fixtures		2,756
Warehouse Equipment		88,690
Buildings - Operating		1,781,626
Structural Improvements		277,965
Land - Operating		690,569
Vehicles		36,116
	\$	<u>2,958,259</u>
Accumulated Depreciation - Furniture and Equipment		(341,009)
Accumulated Depreciation - Building		<u>(516,693)</u>
Total Fixed Assets	\$	<u>2,100,557.00</u>

**Note 4 - Fair Value Measurements:**

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

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**Note 4 - Fair Value Measurements (continued):**

- Level 1 inputs are quoted prices in active markets for identical investments or donations that the Foundation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investments or donations, either directly or indirectly.
- Level 3 inputs are unobservable inputs based on the Organization’s assumptions. These include inputs that are internally developed and estimated.

The Organizations statement of financial position includes the following financial instruments, inventory, and cost of sales that are required to be measured at fair value on a recurring basis:

- Inventory given a value by the donor is considered a Level 1 asset and is reported at fair value based on quoted prices by the donor for identical assets at the measurement date.

Fair values of assets measured on a recurring basis at June 30, 2016 are as follows:

Fair Value Measurements at June 30, 2016

	Level 1	Level 2	Level 3	Total
Inventory	<u>0</u>	<u>\$ 17,086,798</u>	<u>\$ 0</u>	<u>\$17,086,798</u>

**Note 5 – Concentration of Credit Risk:**

The Organization relies heavily on donations of medical equipment, pharmaceutical and medical supplies, household supplies, clothes, and food from partnering organizations and the public. For the year ended June 30, 2016, donated materials comprised approximately 98% of total revenues and the distribution of donated materials was approximately 90% of total expenses. The Organization distributes medical equipment and supplies to foreign countries. Each country maintains different laws and regulations. Management considers the Organization to be in compliance with the foreign countries trade and commercial codes. Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. Management deems the contingency remote and believes the Organization is in compliance with all grant requirements. The Organization maintains its cash and investments in bank accounts and brokerage accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

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**Note 6 – Inventory:**

A summary of inventory as of June 30, 2016 is as follows:

Medical Equipment	\$ 774,203
Medical Supplies and Medicine	10,199,138
Food and supplies	6,092,330
Materials and other supplies	<u>21,127</u>
Total Inventory	\$ 17,086,798

The Organization regularly assesses the quality and continued usefulness of its inventory to identify old and obsolete items. During the period ending June 30, 2016 inventory shrinkage and obsolete items written off totaled \$3,258.

**Note 7 – Temporarily Restricted Cash:**

The Organization maintains savings accounts to provide for a self-funding line of credit and emergency reserve funds. The Self-Funded Line of Credit amounted to \$78,517 at June 30, 2016 and is classified as temporarily restricted on the Statement of Financial Position. The Organization also maintains a Reserve account of \$75,410, to fund any unforeseen events. The remainder consists of miscellaneous cash accounts used for operating purposes.

**Note 8 – Donated Materials and Services:**

The Organization receives significant contributions of medical equipment, pharmaceutical and medical supplies, household supplies, clothes, and food. The donations received are stored as inventory and subsequently distributed when requested by partnering organizations or as needed for disaster relief projects. For the year ended June 30, 2016, the Organization recognized donated supplies of \$33,115,959 and distributions of donated supplies of \$ 30,033,282.



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**Note 9- Accrued Expenses and Accrued Payroll**

Accrued expenses included deferred revenue of \$100,000 and credit cards of \$9,581. Accrued payroll includes payroll taxes payable at year end in the amount of \$2,677, accrued employee contributions \$1,586, and accrued paid time off. Accrued paid time off is accrued per pay period at a rate of 03% of employee wages per period. The balance of the accrued paid time off at June 30, 2016 is \$10,732.

**Note 10 – Pension Plan:**

The Organization provides a retirement plan to its employees under a Simple IRA plan. The plan is contributory plan and the Organization matches 2 percent of employee contributions. For the year ended June 30, 2016, the Organization matched employee contributions of \$ 11,500.

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**Note 11 – Mortgage Payable:**

During the fiscal year ended June 30, 2016, the Organization paid off a 30-year mortgage from City National financial institution which was used to purchase the facility and warehouse located in Buena Park, California. The Organization obtained a new mortgage with Evangelical Christian Credit Union. This mortgage was financed in August 2015. The terms of the mortgage are an interest rate of 4.5% and a new term of 30 years to 2045. The monthly payments and maturities are less than the prior mortgage and are reflected in the calculation below. Reserve funds have been set aside for refinancing the mortgage.

As of June 30, 2016, the outstanding balance is as follows:

Mortgage payable	\$ 2,312,427
Less current maturities	<u>(54,230)</u>
 Noncurrent maturities	 <u>\$ 2,258,197</u>

Future mortgage maturities for the years ending June 30 are as follows:

<u>June 30,</u>	
2017	\$ 54,231
2018	56,722
2019	59,328
2020	62,053
2021	70,445

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**Note 12 - Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through the year ended June 30, 2016 and November 10, 2016, the date the financial statements were available to be issued.

**Note 13- Rental Income**

The Organization rents out part of its property to a medical facility. The rental sits next door to the building used by the Organization. The amount of rent charged and earned is \$2,500. The Organization also charges rent to International Clinic aid for using GFL space of \$5,000. This amount is included in other income. The amount earned for the year is \$90,000.

**Note 14- Other Income**

The Organization classifies some of its receipts as other income. This year the Organization has receipts included as other income of \$251,950. The amounts included in this total are as follows;

Rental Income	\$	90,000.00
Monetization of GIK inventory		43,637.00
Recycling		90,146.00
Interest		1,526.00
Other amounts		<u>26,641.00</u>
	\$	<u>251,950.00</u>