

GLOBAL OPERATIONS AND DEVELOPMENT
DBA GIVING CHILDREN HOPE

FINANCIAL STATEMENTS
JUNE 30, 2018

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We were engaged to audit the accompany financial statements of Global Operations and Development, DBA Giving Children Hope (a nonprofit organization) which comprise the financial position as of June 30, 2018, and the related statements of activities and changes in net assets, functional expenses, and 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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 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, 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our modified opinion.

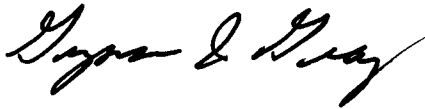
INDEPENDENT AUDITORS' REPORT (Continued)

Basis for Modified Opinion

Due to the amount of time that has elapsed since June 30, 2018, it was impracticable to observe the counting of physical inventories and requesting external confirmations of specific inventory balances. Furthermore, this lapse in time has prevented us from obtaining accurate values related to inventory. Therefore, we were unable to obtain sufficient appropriate audit evidence about the amounts recognized as inventory and activities related to inventory for the year ended June 30, 2018. Consequently, we were unable to determine whether any adjustments to those amounts were necessary.

Modified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Modified Opinion paragraph, 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, 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Guzman & Gray CPAs
Long Beach, CA
May 17, 2019

GLOBAL OPERATIONS AND DEVELOPMENT
DBA GIVING CHILDREN HOPE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	329,663
Accounts receivable, net		8,110
Inventory		3,801,983
Total Current Assets		4,139,756

PROPERTY AND EQUIPMENT

Land		690,569
Building		1,780,576
Furniture and equipment		354,455
Accumulated depreciation		(847,274)
Property and Equipment, net		1,978,326

TOTAL ASSETS

\$ 6,118,082

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	69,208
Accrued payroll liabilities		21,159
Other current liabilities		5,000
Line of credit		1,619
Mortgage payable, current		49,869
Total Current Liabilities		146,855

NONCURRENT LIABILITIES

Three term loan		10,660
Mortgage payable, noncurrent		2,159,262
Total Noncurrent Liabilities		2,169,922

TOTAL LIABILITIES

2,316,777

NET ASSETS

Unrestricted		3,801,305
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TOTAL LIABILITIES AND NET ASSETS

\$ 6,118,082

The accompanying notes are an integral part of these financial statements

GLOBAL OPERATIONS AND DEVELOPMENT
 DBA GIVING CHILDREN HOPE
 STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 JUNE 30, 2018

REVENUES AND SUPPORT	
Gift-in-kind program	\$ 24,147,913
Cash contributions	1,240,556
Program revenues	238,925
Special events	126,251
Rental income	44,265
Other income	53,246
Interest and dividends	1,718
	25,852,874
TOTAL REVENUES AND SUPPORT	25,852,874
EXPENSES	
Program expenses	25,588,827
General and administration	757,350
Fundraising	49,984
TOTAL EXPENSES	26,396,162
CHANGES IN NET ASSETS	(543,288)
BEGINNING NET ASSETS	4,344,593
ENDING NET ASSETS	\$ 3,801,305

The accompanying notes are an integral part of these financial statements

GLOBAL OPERATIONS AND DEVELOPMENT
DBA GIVING CHILDREN HOPE
STATEMENT OF FUNCTIONAL EXPENSES
JUNE 30, 2018

	Program Services	Management and General	Fundraising	Total
PERSONNEL EXPENSES				
Salaries and wages	\$ 586,037	\$ 209,299	\$ 41,860	\$ 837,195
Payroll taxes	49,560	17,700	3,540	70,800
Employee benefits	45,480	16,243	3,249	64,971
TOTAL PERSONNEL EXPENSES	681,076	243,242	48,648	972,966
OTHER EXPENSES				
Program expenses	24,654,384			24,654,384
Interest		123,083		123,082
Shipping costs	33,928	75,516		109,444
Professional fees		81,670		81,670
Depreciation	51,068	5,674		56,742
Utilities	42,318	14,106		56,424
Auto expense	42,620			42,620
Office expense		31,638		31,638
Outside services	14,526	14,526		29,052
Telephone		21,719		21,719
Other expenses		21,655		21,655
Travel expenses		21,073		21,073
Warehouse supplies	20,771			20,771
Dues and subscriptions		19,001		19,001
Repairs and maintenance		17,966		17,966
Purchased goods shipped	17,773			17,773
Training	6,781	6,781		13,562
Insurance	7,199	4,799		11,998
Warehouse management		11,074		11,074
License and fees		10,866		10,866
Office supplies		9,726		9,726
Warehouse equipment	9,435			9,435
Bad debt expense	6,949			6,949
Advertising		6,410		6,410
Gardening		6,317		6,317
Printing		5,369		5,369
Postage		3,003		3,003
Bank charges		2,136		2,136
Fundraising			1,336	1,336
TOTAL OTHER EXPENSES	24,907,751	514,109	1,336	25,423,195
TOTAL EXPENSES	\$ 25,588,827	\$ 757,350	\$ 49,984	\$ 26,396,161

The accompanying notes are an integral part of these financial statements

GLOBAL OPERATIONS AND DEVELOPMENT
 DBA GIVING CHILDREN HOPE
 STATEMENT OF CASH FLOWS
 JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (543,288)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	56,742
Change in operating assets and liabilities:	
Receivables	30,661
Inventory	443,322
Accounts payable	28,525
Accrued payroll liabilities	6,319
Net Cash Provided By Operating Activities	<u>22,281</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on mortgage payable	<u>(49,869)</u>
Net Cash Provided By (Used In) Financing Activities	<u>(49,869)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(27,588)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>357,251</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 329,663</u>
SUPPLEMENTAL DISCLOSURES	
Interest paid	NONE
Income taxes paid	NONE

The accompanying notes are an integral part of these financial statements

GLOBAL OPERATIONS AND DEVELOPMENT
DBA GIVING CHILDREN HOPE
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 – ORGANIZATION

The Organization is a not for profit corporation, which received its exempt status in 1982, and is principally engaged in providing 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis.

Basis of Presentation

The net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor – (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Accounting 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 and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

The organization considers all highly-liquid investments, which are readily convertible to known amounts of cash and which have an original maturity of three months or less, to be cash equivalents.

Receivables

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Organization uses the allowance method to record doubtful receivables. The allowance is based on a review of accounts and history of collection.

GLOBAL OPERATIONS AND DEVELOPMENT
DBA GIVING CHILDREN HOPE
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continues)

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. Certain inventory classified as federal excess property excess property is recorded at the values assigned by the government agencies.

The Organization examines inventory for damaged and obsolete materials. Goods determined to be obsolete are removed from inventory and scrapped.

Property and Equipment

Property and equipment are stated at cost at date of acquisition or fair market value at date of contribution. Depreciation is computed under the straight line method, with estimated useful lives ranging from 3 to 39 years. Additions and improvements that increase the capacity or lengthen the useful lives of the assets are capitalized. Repairs and maintenance are expensed as incurred.

Contributions

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. All contributions are considered to be unrestricted unless specifically restricted by the donor. Any such contributions are recognized as an increase to the temporarily restricted fund. 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.

Donated Services

The organization recognizes the contribution of services if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations. Contributed services that do not meet the criteria shall not be recognized.

Donated Materials

Donated materials are recorded as contributions at their estimated fair value at the date of donations. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated goods to a specific purpose.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a program basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

GLOBAL OPERATIONS AND DEVELOPMENT
DBA GIVING CHILDREN HOPE
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is exempt from federal income and state franchise taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, respectively. The Organization has been classified as “other than a private foundation” by the Internal Revenue Service.

The Organization evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the tax positions will more likely than not be sustained upon examination. As of June 30, 2018, management does not believe the Organization has any uncertain tax positions requiring accrual or disclosures. The organization is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Reporting of Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 17, 2019 the date the financial statements were available to issue.

NOTE 3 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. The fair value hierarchy is as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level2: Other observable inputs, which include quoted prices for similar assets and liabilities, and market support inputs. These inputs could include such items as interest rates, yield curves, auctions prices for equipment or per square foot selling prices for real estate.

GLOBAL OPERATIONS AND DEVELOPMENT
DBA GIVING CHILDREN HOPE
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

Level 3: Inputs that are unobservable inputs for assets and liabilities are based on the Organization’s assumptions. These include inputs that are internally developed and estimated.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair measurement in its entirety.

Fair values of assets measured on a recurring basis at June 30, 2018 are as follows:

	Fair Value Measurements at June 30, 2018			
	Level 1	Level 2	Level 3	Total
Inventory		\$ 3,801,983		\$ 3,801,983

The investment property valuation is based on the cost basis of the property less an adjustment to fair market value. The fair value market value was based on comparable properties in the local area. See Note 7.

NOTE 4 - INVENTORY

A summary of inventory as of June 30, 2018 is as follows:

Medical equipment and supplies	\$ 3,801,983
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NOTE 5 – PROPERTY AND EQUIPMENT

A Summary of property and equipment as of June 30, 2018 is as follows:

Land	\$ 690,569
Building	1,780,576
Structural improvements	153,557
Vehicles	109,027
Warehouse equipment	78,690
Office furniture and equipment	13,181
	\$ 2,825,600
Less: accumulated depreciation	(847,274)
Net property and equipment	\$ 1,978,326

For the year ended June 30, 2018, depreciation expense was \$56,742.

GLOBAL OPERATIONS AND DEVELOPMENT
DBA GIVING CHILDREN HOPE
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 6 – MORTGAGE PAYABLE

On August 3, 2015 the Organization obtained a 25 year mortgage from Evangelical Christian Credit Union to refinance the Organizations outstanding mortgage. The facility and warehouse located in Buena Park, California are the collateral. The mortgage bears a fixed interest rate of 4.5 percent and requires monthly payments of \$13,099 until August 5, 2025. A final payment currently estimated to be \$1,725,108 will be due September 5, 2025. As of June 30, 2018, the outstanding balance is as follows:

Mortgage payable	\$ 2,209,131
Less current maturities	<u>(49,869)</u>
Noncurrent maturities	<u>\$ 2,159,262</u>

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

June 30,	
2019	\$ 59,328
2020	62,053
2021	64,904
2022	67,886
2023	71,004
Thereafter	<u>1,834,087</u>
Total	<u>\$ 2,159,262</u>

NOTE 7 – DONATED MATERIALS AND SERVICES

The Organization receives significant contributions of medical equipment, medical supplies, household supplies, clothes, and food. The donations received are stored in inventory and subsequently distributed when requested by partnering organizations or as needed for disaster relief projects. For the year ended June 30, 2018, the organization recognized donated medical equipment and supplies of \$24,147,913 and distribution of medical equipment and supplies of \$24,565,259.

GLOBAL OPERATIONS AND DEVELOPMENT
DBA GIVING CHILDREN HOPE
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 8 – PENSION PLAN

The Organization provides a retirement plan to its employees under a Simple IRA plan. The plan is a contributory plan and the Organization matches 2% of employee contributions. For the year ended June 30, 2018, the Organization matched employee contributions of \$13,538.

NOTE 9 – 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, 2018, donated materials comprised approximately 93% of total revenues and the distribution of donated materials was approximately 93% of total expenses.

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 believe the Organization is in compliance with all grant requirements.