

GLOBAL OPERATIONS AND DEVELOPMENT

DBA GIVING CHILDREN HOPE

FINANCIAL STATEMENTS

JUNE 30, 2019

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# *Guzman & Gray*

Certified Public Accountants

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Patrick S.Guzman, C.P.A.  
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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, 2019, 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.

***Auditors' Responsibility (Continued)***

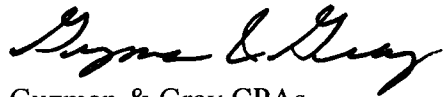
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the 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, 2019, 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.

***Emphasis of Matter***

As discussed in Note 13 in the financial statements, the 2018 modified financial statement's net assets have been restated. Our opinion in respect to the financial statements for the year ended June 30, 2019 is not modified.



Guzman & Gray CPAs  
Long Beach, CA  
January 10, 2020

GLOBAL OPERATIONS AND DEVELOPMENT  
DBA GIVING CHILDREN HOPE  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2019

**ASSETS**

<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 102,049
Inventory	6,288,654
Total Current Assets	6,390,703
 <b>PROPERTY AND EQUIPMENT</b>	
Property and Equipment, net	1,920,474
<b>TOTAL ASSETS</b>	\$ 8,311,177
 <b>TOTAL ASSETS</b>	\$ 8,311,177

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 95,465
Accrued payroll liabilities	34,852
Mortgage payable, current	62,053
Total Current Liabilities	192,370
 <b>NONCURRENT LIABILITIES</b>	
Mortgage payable, noncurrent	2,100,164
<b>TOTAL LIABILITIES</b>	2,292,534
 <b>NET ASSETS</b>	
Without donor restrictions	6,018,643
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 8,311,177

See independent auditors' report and accompanying notes to financial statements

GLOBAL OPERATIONS AND DEVELOPMENT  
DBA GIVING CHILDREN HOPE  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

<b>REVENUES AND SUPPORT</b>	
Gift-in-kind program	\$ 17,721,769
Cash contributions	1,224,594
Special events, net	172,548
Program revenues	56,655
Rental income	54,000
Other income	61,223
Interest	<u>2,081</u>
<b>TOTAL REVENUES AND SUPPORT</b>	<u>19,292,870</u>
<b>EXPENSES</b>	
Program expenses	24,505,845
General and administration	663,891
Fundraising	<u>65,836</u>
<b>TOTAL EXPENSES</b>	<u>25,235,572</u>
<b>CHANGES IN NET ASSETS</b>	(5,942,702)
<b>PREVIOUSLY REPORTED</b>	
Net Assets, June 30, 2018	\$ 3,801,305
<b>PRIOR PERIOD ADJUSTMENTS</b>	
To correct net assets for understatement of inventory at June 30, 2018	<u>8,160,040</u>
<b>BEGINNING NET ASSETS RESTATED</b>	<u>11,961,345</u>
<b>ENDING NET ASSETS</b>	<u><u>\$ 6,018,643</u></u>

See independent auditors' report and accompanying notes to financial statements

GLOBAL OPERATIONS AND DEVELOPMENT  
DBA GIVING CHILDREN HOPE  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Management and			
	Program Services	General	Fundraising	Total
<b>PERSONNEL EXPENSES</b>				
Salaries and wages	\$ 593,683	\$ 212,030	\$ 42,406	\$ 848,119
Payroll taxes	50,712	18,112	3,622	72,446
Employee benefits	19,065	6,809	1,362	27,236
	<u>663,460</u>	<u>236,951</u>	<u>47,390</u>	<u>947,801</u>
Program expenses	20,120			20,120
Interest		84,125		84,125
Professional fees	16,129	215,668		231,797
Depreciation	50,943	5,660		56,603
Telephone and utilities	38,830	37,242		76,072
Auto	34,181			34,181
Other	25,764	2,459	1,864	30,087
Travel	19,982	2,955	382	23,319
Warehouse supplies	13,940			13,940
Dues and subscriptions		19,407		19,407
Repairs and maintenance		11,021		11,021
Purchased goods shipped	4,852			4,852
Training	8,977	8,977		17,954
Insurance	46,340	21,099	2,260	69,699
License and fees		4,513		4,513
Office supplies	14,311	4,830	11,547	30,688
Outreach and marketing		256	2,393	2,649
Printing		3,948		3,948
Postage and shipping	152,878	1,180		154,058
Bank charges		3,600		3,600
Special events			76,563	76,563
Gift Inkind Expense	23,395,138			23,395,138
	<u>24,505,845</u>	<u>663,891</u>	<u>142,399</u>	<u>25,312,135</u>
Less special event expenses netted against special event revenues:	-	-	(76,563)	(76,563)
<b>TOTAL EXPENSES</b>	<u>\$ 24,505,845</u>	<u>\$ 663,891</u>	<u>\$ 65,836</u>	<u>\$25,235,572</u>

See independent auditors' report and accompanying notes to financial statements

GLOBAL OPERATIONS AND DEVELOPMENT  
DBA GIVING CHILDREN HOPE  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ (5,942,702)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	56,603
Change in operating assets and liabilities:	
Receivables	8,110
Inventory	5,673,370
Accounts payable	26,258
Accrued payroll liabilities	13,694
Other current liabilities	(5,000)
Net Cash Used By Operating Activities	<u>(169,667)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from sales of properties	<u>1,246</u>
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**CASH FLOWS FROM FINANCING ACTIVITIES**

Payments to satisfy loan	(12,279)
Payments on mortgage payable	<u>(46,914)</u>
Net Cash Used By Operating Activities	<u>(59,193)</u>

**NET CHANGE IN CASH AND CASH EQUIVALENTS** (227,614)

**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** 329,663

**CASH AND CASH EQUIVALENTS AT END OF YEAR** \$ 102,049

**SUPPLEMENTAL DISCLOSURES**

Interest paid	<u>NONE</u>
Income taxes paid	<u>NONE</u>

See independent auditors' report and accompanying notes to financial statements



GLOBAL OPERATIONS AND DEVELOPMENT  
DBA GIVING CHILDREN HOPE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 – NATURE OF THE ORGANIZATION

The Organization is a community-driven nonprofit, established in 1993, that equips frontline partners with resources to serve vulnerable children and families. As a faith-based partner, GCH provides sustainable hope through wellness programs and disaster response in collaboration with local and global communities; this is done through the gathering and giving of Nutritional Foods, Basic Needs, and support for Disaster Relief.

Disaster Relief

Giving Children Hope's Disaster Relief program responds to disasters both internationally and nationwide, working with local nonprofit partners to respond quickly to those affected by natural and manmade disasters. GCH supplies these partners with essential donations that help to sustain vulnerable populations in the midst of the instability that these disasters cause. The goal is to move people from temporary relief to sustainable hope by giving local experts the tools they need to restore areas that have been affected by disasters.

GCH is currently responding to the economic crisis in Venezuela, providing meals to those who have fled to Colombia and working as one of the only nonprofits able to bring supplies into Venezuela itself. In 2019, GCH provided three million meals to Venezuelans in crisis. In the past, GCH has responded to disasters such as Hurricane Harvey in Houston, the wildfires in Paradise, CA, Typhoon Haiyan in the Philippines, and Syrian refugees in Lebanon.

Giving For Living

Giving For Living serves as a local redistribution center, assisting nonprofit partners in obtaining the items they need to carry on their work. The program works to build relationships with other nonprofit organizations in Southern California. GCH focuses on these partners' unique missions and assist them in obtaining the supplies they need to run their programs. This helps maximize nonprofits' limited funding by providing resources to help them reach their goals. Current partners that benefit from the program include nonprofit agencies, churches and missionaries, pregnancy centers, homeless shelters, drug rehabilitation programs, and youth programs.

GLOBAL OPERATIONS AND DEVELOPMENT  
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NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 1 – NATURE OF THE ORGANIZATION (Continued)

WGYB

Giving Children Hope's We've Got Your Back (WGYB) program partners with local Orange and Los Angeles County schools to identify children in crisis, brings them to stability by meeting their nutritional needs and builds their parent's capacity to empower them to create strong futures for their family. School staff members refer the students most in need within their schools to WGYB where they begin receiving a backpack full of food that will last a family of four for at least three days. Parents who sign up for the program are encouraged to participate in classes or volunteer at their school site. This program strategy helps to build skills for parents in areas such as financial management, nutrition, and parenting, while also increasing their engagement, a key factor in improving academic success for low-income students. Each week, WGYB partners with more than 75 schools to serve 1,400 families with needed food.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

New Accounting Pronouncements Implemented this Year

In August 18, 2016, FASB issued ASU 2016-14, Not-for-profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. Basis of Presentation

Basis of Presentation

The net assets, 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.

GLOBAL OPERATIONS AND DEVELOPMENT  
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NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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.

Inventory

Inventory consists of basic needs, nutritious foods, medical supplies, and equipment. 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 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.

GLOBAL OPERATIONS AND DEVELOPMENT  
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NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Functional Allocation of Expenses

The costs of providing the various program and other activities have been summarized on a functional basis in the statements of activities and detailed in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates, which is based on the prorated share of direct program expenses incurred by the programs for operating expenses. Expenses that can be identified with specific programs and support services are allocated directly according to their natural expenditure classification.

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NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements.

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, 2019, 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 January 10, 2020 the date the financial statements were available to issue.

GLOBAL OPERATIONS AND DEVELOPMENT  
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 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2019

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.

Level 2: 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.

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, 2019 are as follows:

	Fair Value Measurements at June 30, 2019			
	Level 1	Level 2	Level 3	Total
Inventory		\$ 6,288,654		\$ 6,288,654

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.

GLOBAL OPERATIONS AND DEVELOPMENT  
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NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 4 - INVENTORY

A summary of inventory as of June 30, 2019 is as follows:

Basic needs supplies	\$	2,646,858
Nutritious foods		1,221,901
Medical supplies		2,363,298
Medical equipment		56,597
Total inventory	\$	6,288,654

NOTE 5 – PROPERTY AND EQUIPMENT

A Summary of property and equipment as of June 30, 2019 is as follows:

Land	\$	690,569
Building		1,780,576
Structural improvements		153,558
Vehicles		108,027
Warehouse equipment		78,690
Office furniture and equipment		12,931
	\$	2,824,351
Less: accumulated depreciation		(903,877)
Net property and equipment	\$	1,920,474

For the year ended June 30, 2019, depreciation expense was \$56,603.

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.

GLOBAL OPERATIONS AND DEVELOPMENT  
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NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 6 – MORTGAGE PAYABLE (Continued)

As of June 30, 2019, the outstanding balance is as follows:

Mortgage payable	\$	2,162,217
Less current maturities		<u>(62,053)</u>
Noncurrent maturities	\$	<u>2,100,164</u>

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

June 30,		
2020	\$	62,053
2021		64,904
2022		67,886
2023		71,004
2024		<u>74,266</u>
Thereafter		<u>1,822,104</u>
Total	\$	<u>2,162,217</u>

NOTE 7 – DONATED MATERIALS AND SERVICES

The Organization receives significant contributions of relief effort supplies and equipment. 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, 2019, the organization recognized donated medical equipment and supplies of \$17,721,769 and distribution of medical equipment and supplies of \$23,395,138.

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 3% of employee contributions. For the year ended June 30, 2019, the Organization matched employee contributions of \$13,932.



GLOBAL OPERATIONS AND DEVELOPMENT  
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 NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 9 – CONCENTRATION OF CREDIT RISK

The Organization relies heavily on donations of medical supplies, household supplies, clothes, food, and medical equipment from partnering organizations and the public. For the year ended June 30, 2019, donated materials comprised approximately 92% of total revenues and the distribution of donated materials was approximately 92% 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.

The Organization maintains cash in various financial institutions which may, at times, exceed FDIC insured maximum deposit insurance amount of \$250,000. There were no uninsured balances at June 30, 2019.

NOTE 10 – FUNDRAISING EVENTS

The Chapter has various fundraising events to help fund current operations. The revenue and related expenses from such events for the year ended June 30, 2019.

	Revenue	Special Events Expenses	Special Events Net Revenue
Gala	\$ 191,650	\$ 76,211	\$ 115,439
Other Events	57,461	352	57,109
	\$ 249,111	\$ 76,563	\$ 172,548

GLOBAL OPERATIONS AND DEVELOPMENT  
DBA GIVING CHILDREN HOPE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019

NOTE 11 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are comprised of the following:

Cash and cash equivalents	\$ 102,049
Less: those unavailable for general expenditures within one year, due to:	
Funds to be used to pay nex years mortgage costs	(62,053)
Funds to be used to pay loan made September 17,2019 (See Note 12)	<u>(22,500)</u>
Total financial assets unavailable for general expenditure	<u>(84,553)</u>
Financial assets available to meet cash needs or general expenditure within one year.	<u>\$ 17,496</u>

The board of directors and management prepare a budget each year based on their knowledge of prior year transactions and potential transactions. At each board meeting, the board of directors and management review the Organization’s financial statements to determine the Organization’s liquid position and future prospects.

NOTE 12 – SUBSEQUENT EVENT

On September 17, 2019 the Organization obtained a loan of \$400,000 from a board member and an individual affiliated with that board member. The loan is secured by a deed of trust and until March 15, 2021 is payable in monthly installments of \$2,500 with an initial interest rate of 7.5 percent. On March 15, 2021 the loan terms require the loan to be payable in monthly installments of \$4,801 and the interest rate will increase to 12 percent. The Organization may satisfy the loan prior to March 15, 2036, the date the loan matures, without incurring penalties. The funds obtained from the loan are being used to make crucial repairs to its facility and any remaining funds will be used for additional operational support.

NOTE 13 – PRIOR PERIOD ADJUSTMENT

The Organization’s inventory was understated as of June 30, 2018 due to failing to record the balance of inventory within the general ledger correctly. The adjustment in the current year to correct this error was to increase beginning inventory and increase beginning net assets without donor restrictions by \$8,160,040.