

GLOBAL POVERTY PROJECT, INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015

(WITH SUMMARIZED COMPARATIVE TOTALS FOR DECEMBER 31, 2014)

GLOBAL POVERTY PROJECT, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Global Poverty Project, Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Global Poverty Project, Inc. (the "Organization") and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 consolidated 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 did not audit the financial statements of Global Poverty Project UK, Global Poverty Project Limited and Global Poverty Project Canada, wholly-owned subsidiaries, whose statements reflect total assets constituting 8 percent of consolidated total assets at December 31, 2015 and total revenues constituting 6 percent of consolidated total revenues for the year then ended. Those statements, which were prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board and Canadian Accounting Standards (including International Financial Reporting Standards), respectively, were audited by other auditors, whose reports have been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of Global Poverty Project UK, Global Poverty Project Limited and Global Poverty Project Canada, which conform those financial statements to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amounts included for Global Poverty Project UK, Global Poverty Project Limited, and Global Poverty Project Canada prior to these conversion adjustments, is based solely on the reports of the other auditors. 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 of 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 Organization'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 Organization'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, based on our report and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Global Poverty Project, Inc. and its subsidiaries as of December 31, 2015, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's December 31, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements, based on our report and the reports of other auditors, in our report dated November 23, 2015. We did not audit the financial statements of Global Poverty Project UK and Global Poverty Project Limited, wholly owned subsidiaries, whose statements reflect total assets constituting 34 percent of consolidated total assets at December 31, 2014 and total revenues constituting 9 percent of consolidated total revenues for the year then ended. Those statements were audited by other auditors, whose reports have been furnished to us. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent in all material aspects, with the audited financial statements from which it has been derived.

MBAF CPAs, LLC

New York, NY
May 26, 2016

GLOBAL POVERTY PROJECT, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR DECEMBER 31, 2014)

ASSETS	2015	2014
Cash	\$ 4,843,089	\$ 693,796
Contributions receivable	882,432	552,970
Website, net	831,238	-
Property and equipment, net	4,484	3,324
Security deposit	114,164	117,758
Deferred rent	10,824	27,948
Prepaid expenses and other assets	98,793	67,715
	\$ 6,785,024	\$ 1,463,511
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	1,612,334	1,196,273
Loans payable	50,000	230,233
	<u>1,662,334</u>	<u>1,426,506</u>
COMMITMENTS (NOTE 3)		
NET ASSETS		
Unrestricted	1,517,908	37,005
Temporarily restricted	3,604,782	-
	<u>5,122,690</u>	<u>37,005</u>
	\$ 6,785,024	\$ 1,463,511

The accompanying notes are an integral part of the consolidated financial statements.

GLOBAL POVERTY PROJECT, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2015</u>	<u>Total 2014</u>
SUPPORT AND REVENUES				
Contributions, sponsorships, and license fees	\$ 28,056,687	\$ 3,604,782	\$ 31,661,469	\$ 11,260,096
Contributions in-kind	4,610,127	-	4,610,127	512,981
Other income	178,329	-	178,329	55,935
Interest income	89	-	89	411
	<u>32,845,232</u>	<u>3,604,782</u>	<u>36,450,014</u>	<u>11,829,423</u>
EXPENSES				
Program	28,840,033	-	28,840,033	12,256,429
Management and general	1,784,593	-	1,784,593	621,180
Fundraising	739,703	-	739,703	252,798
	<u>31,364,329</u>	<u>-</u>	<u>31,364,329</u>	<u>13,130,407</u>
CHANGE IN NET ASSETS	1,480,903	3,604,782	5,085,685	(1,300,984)
NET ASSETS - BEGINNING OF YEAR	<u>37,005</u>	<u>-</u>	<u>37,005</u>	<u>1,337,989</u>
NET ASSETS - END OF YEAR	<u>\$ 1,517,908</u>	<u>\$ 3,604,782</u>	<u>\$ 5,122,690</u>	<u>\$ 37,005</u>

The accompanying notes are an integral part of the consolidated financial statements.

GLOBAL POVERTY PROJECT, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)

	Program Services			Supporting Services			Total 2015	Total 2014
	Major Events	Campaigns	Total Program	Management and General	Fundraising			
Payroll	\$ 616,259	\$ 2,845,111	\$ 3,461,370	\$ 509,874	\$ 415,089	\$ 4,386,333	\$ 2,682,312	
Event production fees	2,231,946	161,387	2,393,333	18,182	1,117	2,412,632	3,668,864	
Professional fees	19,386,008	1,165,875	20,551,883	356,487	213,668	21,122,038	4,505,059	
Accounting	-	-	-	118,247	-	118,247	96,839	
Travel	577,305	669,206	1,246,511	74,525	74,624	1,395,660	991,682	
Rent	38,009	175,481	213,490	31,448	25,602	270,540	172,330	
Office expenses	374,468	378,134	752,602	551,005	9,603	1,313,210	651,425	
Contributions	-	20,844	20,844	-	-	20,844	361,253	
Depreciation and amortization	-	-	-	124,825	-	124,825	643	
Bad debt expense	-	200,000	200,000	-	-	200,000	-	
Total Functional Expenses	\$ 23,223,995	\$ 5,616,038	\$ 28,840,033	\$ 1,784,593	\$ 739,703	\$ 31,364,329	\$ 13,130,407	

The accompanying notes are an integral part of the consolidated financial statements.

GLOBAL POVERTY PROJECT, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,085,685	\$ (1,300,984)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Forgiveness of loans payable	(100,000)	(300,000)
Depreciation and amortization	124,825	643
Bad debt expense	200,000	-
Deferred rent	17,124	(27,948)
Changes in operating assets and liabilities:		
Contributions receivable	(529,462)	571,418
Security deposit	3,594	145,837
Prepaid expenses and other assets	(31,078)	110,748
Accounts payable and accrued expenses	416,061	771,207
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	5,186,749	(29,079)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to website	(954,275)	-
Purchases of property and equipment	(2,948)	(2,305)
NET CASH USED IN INVESTING ACTIVITIES	(957,223)	(2,305)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loans payable	(80,233)	-
NET INCREASE (DECREASE) IN CASH	4,149,293	(31,384)
CASH - BEGINNING OF YEAR	693,796	725,180
CASH - END OF YEAR	\$ 4,843,089	\$ 693,796

The accompanying notes are an integral part of the consolidated financial statements.

GLOBAL POVERTY PROJECT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

1. NATURE OF ORGANIZATION

Global Poverty Project, Inc. (“GPP”) was incorporated June 30, 2010. GPP is an exempt organization for federal income tax purposes under Section 501(c)(3) of the Internal Revenue Code (“IRC”) and under the corresponding provisions of the New York State tax laws. GPP has been classified to be a publicly supported organization and not a private foundation under IRC Section 509(a) and is qualified for deductible contributions as provided in IRC Section 170(b)(1)(A)(ii).

As part of a global restructuring process, GPP became the sole member of Global Poverty Project UK (“GPP UK”) on June 12, 2012 and Global Poverty Project Limited (“GPP AU”) on July 5, 2012. On February 19, 2013, Global Poverty Project Canada (“GPP Canada”) was created, with GPP as its sole member. The consolidated financial statements include the accounts of GPP and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

GPP's primary sources of income are contributions, sponsorships and contract fees. A summary of its major events and campaigns are set forth below:

Global Citizen Festival – An advocacy event held in Central Park, New York. The Global Citizen Festival is a free ticketed event that in 2015 featured performances from Beyonce, Pearl Jam, Ed Sheeran, Coldplay, Common, Tori Kelly, Sunidhi Chauhan, and others. The festival is Global Poverty Project's pillar event where NGO's, corporations, and multilaterals can effectively come together and make announcements and commitments in support of the world's poor. Last year alone, the Global Citizen Festival achieved 18 announcements from world leaders that are set to affect the lives of up to 259 million people by 2020.

GlobalCitizen.org – In 2015, with the financial support of the Bill and Melinda Gates Foundation, the Global Poverty Project significantly increased its public-engagement platform, GlobalCitizen.org. By placing an emphasis on original written and video content, and working with partners, the site now provides a year-round destination for members who sign up to the Global Citizen platform to take actions to help the world's poor and communicate with like-minded individuals to collectively solve the world's greatest challenges.

Global Citizen Earth Day – An event to inspire citizens to take action to protect our planet and its people. The 2015 Global Citizen Earth Day event was held at the Washington Monument grounds in Washington, DC that featured performances from No Doubt, Usher, Fall Out Boy, Mary J Blige, Train, My Morning Jacket, and others.

Live Below the Line – A fundraising campaign, the challenge is to spend 5 days living on the local equivalent of the extreme poverty line of \$1.50 per day for all food and drink. The campaign provides participants with an insight into the lack of choices and opportunity faced by those living in extreme poverty, and the way that broken systems can trap hard working people in extreme poverty. Live Below the Line was launched in 2009 and completed in 2015. This campaign will be re-launched in 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

The classification of GPP's net assets and its support, revenues, and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets – permanently restricted, temporarily restricted, and unrestricted – be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

GLOBAL POVERTY PROJECT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (continued)

These three classes are defined as follows:

- Permanently Restricted – Net assets resulting from contributions and other inflows of assets whose use by GPP is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of GPP.
- Temporarily Restricted – Net assets resulting from contributions and other inflows of assets whose use by GPP is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of GPP pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities. However, if a restriction is fulfilled in the same time period in which the contribution is received, GPP reports the support as unrestricted.
- Unrestricted – The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

Contributions Receivable

Contributions receivable represent unconditional promises to give by donors. For the years ended December 31, 2015 and 2014, GPP had contributions receivable of \$882,432 and \$552,970, respectively. GPP has determined that no allowance for uncollectible contributions receivable is necessary as of December 31, 2014. GPP recognized bad debt expense of \$200,000 for the year ended December 31, 2015. Such estimate is based on GPP's assessment of the creditworthiness of its donors, the aged basis of its receivables, as well as current economic conditions and historical information.

The carrying value of contributions receivable approximates net realizable value.

Property and Equipment

Property and equipment is stated at cost and is being depreciated on the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to expense as incurred.

Website

Technology and content costs are expensed as incurred, except for certain costs relating to the website development, including software used to upgrade and enhance GPP's websites and applications supporting the business, which are capitalized. In 2015, development costs related to GPP's website amounting to \$954,275 have been capitalized. These costs are amortized over the estimated life of three years using the straight-line method. Amortization expense for the year ended December 31, 2015 was \$123,037.

Advertising

GPP expenses advertising costs as incurred. Advertising expense incurred for the years ended December 31, 2015 and 2014 was \$4,611,664 (including donated services of \$4,333,521) and \$405,332 (including donated services of \$342,118), respectively, and is included in professional fees in the statement of functional expenses.

GLOBAL POVERTY PROJECT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

GPP's revenue is derived primarily from private contributions, sponsorship and license fees, and contract fees.

- Private contributions - GPP records contributions as revenue in accordance with the terms of the respective contribution arrangement. Contributions are considered available for unrestricted use, unless specifically restricted by the donor. Conditional contributions and grants are recorded when the specified conditions have been met.
- Sponsorships – GPP records sponsorships in the period in which the event or campaign takes place.
- Contract fees - Fees are recognized as income when earned, which is when the respective service is complete.
- Restricted contributions – Contributions promised over a period of time. Contributions are recognized when the promise is made.

Donated Goods and Services

GPP receives contributed goods and services that are an integral part of its operations. Such goods and services are only recorded as in-kind contributions at their fair value, provided they meet the criteria for recognition. Such criteria includes contributions of services that (i) create or enhance non-financial assets or those that require specialized skills, (ii) are provided by individuals possessing those skills, and (iii) would typically need to be purchased if not provided by donation, and are recorded at their fair value in the period received. Donated goods and services received are estimated at \$4,610,127 and \$512,981 for the years ended December 31, 2015 and 2014, respectively, and are reflected as contributions in-kind income in the accompanying consolidated financial statements. Included in this amount is \$4,333,521 donated ad space and donated legal services of \$211,654 for the year ended December 31, 2015.

Deferred Rent

In accordance with U.S. GAAP, rent expense is recognized on a straight-line basis over the life of the lease, including future escalations of rent, rather than in accordance with lease payments. Deferred rent represents the adjustment to future rents as a result of using the straight-line method.

Functional Allocation of Expenses

Expenses that can be directly identified with the program or supporting service to which they relate are charged accordingly. Other expenses have been allocated among program and supporting services benefited utilizing salaries as the principal basis.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

GPP has evaluated events through May 26, 2016, which is the date the consolidated financial statements were available to be issued.

GLOBAL POVERTY PROJECT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Income Taxes

GPP follows the accounting standard for uncertainty in income taxes. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the consolidated financial statements. It also provides guidance for derecognition, classification, interest and penalties, disclosure, and transition.

Should there be interest on underpayments of income tax, GPP would classify it as "Interest Expense." GPP would classify penalties in connection with underpayments of tax as "Other Expense."

GPP is subject to audit by tax authorities. GPP believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, were such an audit to occur, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities could differ materially from the amounts filed. Management believes that its nonprofit status would be sustained upon examination.

GPP files federal and New York State informational returns. With few exceptions, GPP is no longer subject to federal, state, or local income tax examinations for fiscal years before 2012.

Reclassification

Certain accounts in the December 31, 2014 financial statements have been reclassified to conform to the December 31, 2015 presentation.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standard update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019. Early application is permitted but no earlier than annual reporting periods beginning after December 31, 2016. GPP is currently evaluating the effect the update will have on its financial statements.

In February 2016, the FASB issued an accounting standard update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Accounting by lessors remains largely unchanged from current U.S. GAAP. The update is effective using a modified retrospective approach for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020, with early application permitted. GPP is currently evaluating the effect the update will have on its financial statements.

GLOBAL POVERTY PROJECT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

3. COMMITMENTS

During 2013, GPP moved into a new space located at 594 Broadway, New York, New York and subleased space from an existing tenant. In 2014, the lease was amended to include additional space and was assigned to GPP. In conjunction with this assignment, GPP provided a security deposit of \$114,164. Rent expense for GPP was \$270,540 and \$172,330 for the years ended December 31, 2015 and 2014, respectively. On July 1, 2015, the lease was amended and expires June 30, 2017. Future minimum lease payments are as follows:

2016	\$	426,300
2017		<u>216,300</u>
Total	\$	<u>642,600</u>

4. LOANS PAYABLE

In 2012, loans were made to GPP totaling \$530,233. The loans covered production costs of the 2012 Global Citizen Festival. The non-interest bearing loans matured on February 28, 2013, at which point the lenders had the option to discharge the outstanding principal if the aggregate amount of costs of the 2012 Global Citizen Festival exceeded the sum of the sponsorship and contributions. Even though costs of the 2012 Global Citizen Festival exceeded contributions and sponsorships, GPP decided to inform the lenders that they would prefer to repay the loans and kept them as loans payable. In December 2014, one lender converted his loan to a contribution to GPP in the amount of \$300,000. In 2015, another lender converted his loan to a contribution to GPP in the amount of \$100,000 and GPP repaid two other lenders a total of \$80,233. The remaining \$50,000 was repaid in 2016.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets totaling \$3,604,782 are time restricted for use in 2016 from Bill & Melinda Gates Foundation.

6. CONCENTRATIONS

- A. Financial instruments that potentially subject GPP to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. GPP places its cash with high credit quality financial institutions. At times, cash deposits may be in excess of the FDIC limits.
- B. For the years ended December 31, 2015 and 2014, one donor contributed approximately 32% and four donors contributed approximately 56% of GPP's total contributions, respectively.
- C. At December 31, 2015 and 2014, receivables from four contributors for each year to GPP amounted to approximately 88% and 47% of GPP's total receivables, respectively.