

GLOBAL POVERTY PROJECT, INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012

GLOBAL POVERTY PROJECT, INC.

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7-11



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, 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the 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 and Global Poverty Project Limited, wholly-owned subsidiaries, whose statements reflect total assets constituting 7 percent of consolidated total assets at December 31, 2012, and total revenues constituting 13 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) and Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board, respectively, were audited by other auditors, whose reports has been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of Global Poverty Project, Inc., 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 and Global Poverty Project Limited, prior to these conversion adjustments, is based solely on the reports of the other auditors. We conducted our audits 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

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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, 2012, 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.

MBAF CPAs, LLC

New York, NY
March 02, 2015

GLOBAL POVERTY PROJECT, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

ASSETS

Cash	\$ 751,558
Contributions receivable	2,202,986
Property and equipment, net	32,540
Other assets	83,679
	<hr/>
	\$ 3,070,763

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	259,811
Loans payable	530,233
	<hr/>
	790,044

NET ASSETS

Unrestricted	194,269
Temporarily restricted	2,086,450
	<hr/>
	2,280,719
	<hr/>
	\$ 3,070,763

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, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES			
Contributions	\$ 8,730,816	\$ 2,086,450	\$ 10,817,266
Contributions in-kind	332,938	-	332,938
Training income	17,815	-	17,815
Other income	357,561	-	357,561
Interest income	3,205	-	3,205
Net assets released from restrictions	25,000	(25,000)	-
	<u>9,467,335</u>	<u>2,061,450</u>	<u>11,528,785</u>
EXPENSES			
Program	10,337,766	-	10,337,766
Management and general	290,601	-	290,601
Fundraising	206,887	-	206,887
	<u>10,835,254</u>	<u>-</u>	<u>10,835,254</u>
CHANGE IN NET ASSETS	(1,367,919)	2,061,450	693,531
NET ASSETS - BEGINNING OF YEAR	<u>1,562,188</u>	<u>25,000</u>	<u>1,587,188</u>
NET ASSETS - END OF YEAR	<u>\$ 194,269</u>	<u>\$ 2,086,450</u>	<u>\$ 2,280,719</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, 2012

	Program Services			Supporting Services		
	Major Events	Campaigns	Total Program	Management and General	Fundraising	Total
Payroll	\$ 579,279	\$ 284,531	\$ 863,810	\$ 109,901	\$ 109,901	\$ 1,083,612
Event production fees	7,853,715	-	7,853,715	-	-	7,853,715
Professional fees	-	1,303,890	1,303,890	9,429	88,193	1,401,512
Accounting	-	-	-	39,675	-	39,675
Travel	100,587	113,430	214,017	-	-	214,017
Rent	9,356	-	9,356	81,802	-	91,158
Office expenses	61,747	31,231	92,978	42,515	8,793	144,286
Depreciation	-	-	-	7,279	-	7,279
Total Functional Expenses	\$ 8,604,684	\$ 1,733,082	\$ 10,337,766	\$ 290,601	\$ 206,887	\$ 10,835,254

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, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 693,531
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	7,279
Changes in operating assets and liabilities:	
Contributions receivable	(1,940,986)
Accounts payable and accrued expenses	(73,886)
Loans payable	530,233
Deferred sublease income	(4,000)
Other assets	72,869
NET CASH USED IN OPERATING ACTIVITIES	(714,960)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	<u>(35,433)</u>
 NET DECREASE IN CASH	 (750,393)
 CASH - BEGINNING OF YEAR	 <u>1,501,951</u>
CASH - END OF YEAR	<u>\$ 751,558</u>

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

GLOBAL POVERTY PROJECT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

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).

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

Live Below the Line – Live Below the Line is an innovative, experimental, awareness and fundraising campaign that's making a difference in the fight against extreme poverty. This campaign challenges thousands of Americans to spend five days on \$1.50 a day on food and drink. In feeding themselves on the equivalent of the extreme poverty line over 5 days, participants gain personal insight into lack of opportunity and choice, opening a window onto the challenges faced by those living in extreme poverty. The campaign raised \$3.2 million for charity partners worldwide in 2012.

The End of Polio – Beginning July 2011, GPP has worked with certain other organizations to run The End of Polio campaign. This campaign shares the progress towards polio eradication, while helping build the public support and momentum required to close the funding gap threatening eradication efforts. GPP's campaign includes a grassroots ambassador program, online petitions, events, bringing in key decision-makers, and securing media coverage, while working alongside partner organizations such as Rotary International and UNICEF. The organization engaged thousands of supporters and secured over \$30.0 million of additional funding from governments towards polio eradication efforts. Additionally, the organization co-hosted a high level meeting on polio eradication at the 67th session of the United Nations general assembly, which was attended by heads of governments, Bill Gates, and the UN Secretary-General.

1.4 Billion Reasons Tour - There are 1.4 billion people in the world living in extreme poverty. That's 1.4 billion people living without access to basic opportunities and rights. GPP developed the multi-media presentation 1.4 Billion Reasons Tour to share the facts of extreme poverty, share the successes and opportunities, and inspire audiences to understand and get involved in the movement to end extreme poverty. In early 2011, GPP's team toured the United States, delivering 70 presentations to more than 11,000 people, and sharing stories of progress fighting extreme poverty along the way.

Global Citizen Festival – A festival and advocacy event in New York City, which serves as the peak of the Global Citizen year and a platform for announcements and commitments in response to GPP and other campaigns. A total of \$1.3 billion of new funding commitments from leading United States-based non-governmental organizations were made at the festival.

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. The consolidated financial statements include the accounts of GPP and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

GLOBAL POVERTY PROJECT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

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.

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.
- 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 year ended December 31, 2012, GPP had contributions receivable of \$2,202,986. GPP has determined that no allowance for uncollectible contributions receivable is necessary as of December 31, 2012. Such estimate is based on the GPP's assessments 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 grants and other receivables approximates net realizable value. GPP will otherwise review those receivables due in more than one year for impairment.

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.

Advertising

GPP expenses advertising costs as incurred. Advertising expense incurred for the year ended December 31, 2012 was \$18,280.

Revenue Recognition

GPP's revenue is derived primarily from private contributions 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.

GLOBAL POVERTY PROJECT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Contract fees - This represents the amounts charged to the Bill and Melinda Gates Foundation to provide The End of Polio Campaign services. Such 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 it meets 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 \$332,938 for the year ended December 31, 2012, and is reflected as contributions in-kind income in the accompanying consolidated financial statements. Included in this amount are donated legal services and donated equipment of \$311,438 and \$21,500, respectively.

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 March 02, 2015, which is the date the consolidated financial statements were available to be issued.

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 by tax authorities for fiscal years before 2011.

GLOBAL POVERTY PROJECT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2012

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of December 31, 2012:

Amounts due in:	
Less than one year	\$ 1,290,765
More than one year	912,221
Total	\$ 2,202,986

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2012:

		Estimated Useful Lives
Furniture and fixtures	\$ 35,433	7 years
Vehicle	\$ 6,192	3 years
	41,625	
Less: accumulated depreciation	(9,085)	
	\$ 32,540	

Depreciation expense was \$7,279 for the year ended December 31, 2012.

5. COMMITMENTS AND CONTINGENCIES

GPP signed an agreement with an unaffiliated third party in which GPP will pay a 15% fee for all funds secured by the third party. The maximum fee payable in any fiscal year will not exceed \$75,000. The agreement is set to expire on August 18, 2016. In 2012, the fee amounted to \$75,000.

6. CONCENTRATIONS

- 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.
- For the year ended December 31, 2012, two donors contributed approximately 54% of GPP's total contributions for the year.
- At December 31, 2012, one receivable to GPP amounted to approximately 95% of GPP's total receivables.

7. NET ASSETS

Temporarily restricted net assets are time restricted and consist of a grant from the Bill and Melinda Gates Foundation for \$2,086,450.

GLOBAL POVERTY PROJECT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012

8. LITIGATION

GPP has commenced proceedings in the English High Court of Justice (in the United Kingdom) against Live Music Entertainment Ltd. regarding certain outstanding fees owed to GPP. GPP will not record any support and revenue on this until the matter is fully settled.