

Global Green USA and Subsidiaries

Consolidated Financial Statements and

Independent Auditors' Report

December 31, 2017



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Independent Auditors' Report

To the Board of Directors of
Global Green USA and Subsidiaries
Santa Monica, California

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Global Green USA and Subsidiaries (a California nonprofit organization) (GGUSA), which comprise the consolidated statement of financial position as of December 31, 2017, 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 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.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audit opinion.



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of GGUSA as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Substantial Doubt about the Organization's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 12 to the financial statements, the organization has obtained debt, primarily to fund operations. The continued negative changes in net assets have created a significant accumulated deficit. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 12. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information page 16 is presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2018, on our consideration of Global Green USA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Global Green USA's internal control over financial reporting and compliance.

Hymel & Ready, apac

June 14, 2018

Global Green USA and Subsidiaries

Consolidated Statement of Financial Position December 31, 2017

Assets

Current Assets

Unrestricted Cash & Cash Equivalents	\$	96,102
Temporarily Restricted Cash & Cash Equivalents		170,765
Contributions Receivable		60,647
Prepaid Expenses		<u>20,613</u>

Total Current Assets 348,127

Non-Current Assets

Property and equipment, net		4,018,258
Deposits		<u>14,855</u>

Total Non-Current Assets 4,033,113

Total Assets \$ 4,381,240

Liabilities and Net Assets

Current Liabilities

Accounts Payable		157,684
Accrued Payroll		34,810
Accrued Vacation		30,227
Deposits Held		<u>11,500</u>

Total Current Liabilities 234,221

Long-Term Liabilities

Loan Payable		<u>100,448</u>
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Net Assets

Unrestricted		(687,908)
Temporarily Restricted		<u>4,734,479</u>

Total Net Assets 4,046,571

Total Liabilities and Net Assets \$ 4,381,240

The accompanying notes are an integral part of this consolidated financial statement.

Global Green USA and Subsidiaries

**Consolidated Statement of Activities and Changes in Net Assets
Year Ended December 31, 2017**

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Contributions and grants			
Individuals	\$ 146,107	\$ 80,500	\$ 226,607
Foudations, corporations and gov	261,408	1,157,726	1,419,134
Program Income	366,448	-	366,448
Special events, net of related expenses including \$75,753 of costs of direct benefit to donors	20,706	-	20,706
Other Income	143,741	-	143,741
Net assets released from restrictions	2,257,429	(2,257,429)	-
Total Support and Revenues	3,195,839	(1,019,203)	2,176,636
Expenses			
Program Services			
Green Urbanism Program (GUP)	610,120	-	610,120
The Gulf Coast and Green Rebuilding in New Orleans	1,059,543	-	1,059,543
Water	399,496	-	399,496
The Coalition for Resource Recovery (CoRR)	265,146	-	265,146
Total Program Services	2,334,305	-	2,334,305
Supporting Services			
Management and general	114,951	-	114,951
Fundraising	432,014	-	432,014
Total supporting services	546,965	-	546,965
Total Expenses	2,881,270	-	2,881,270
Change in Net Assets	314,569	(1,019,203)	(704,634)
Net Assets, Beginning of the Year	(1,002,477)	5,753,682	4,751,205
Net Assets, End of the Year	\$ (687,908)	\$ 4,734,479	\$ 4,046,571

The accompanying notes are an integral part of this consolidated financial statement.

Global Green USA and Subsidiaries

Consolidated Statement of Functional Expenses
Year Ended December 31, 2017

	Green Urbanism Program (GUP)	Coast and Green Rebuilding in New Orleans	Water	The Coalition for Resource Recovery (CoRR)	Total Program Services	Manage- ment and general	Fundraising	Total supporting services	Total
Salary and wages	\$ 381,571	\$ 122,273	\$ 127,080	\$ 117,037	\$ 747,961	\$ 17,153	\$ 173,400	\$ 190,553	\$ 938,514
Employee benefit	48,111	17,404	13,394	15,516	94,425	25,666	21,248	46,914	141,339
Payroll Taxes	31,483	10,235	10,430	9,414	61,562	3,345	13,714	17,059	78,621
Total personnel-related	461,165	149,912	150,904	141,967	903,948	46,164	208,362	254,526	1,158,474
Professional fees	35,805	18,139	108,316	47,656	209,916	10,949	135,187	146,136	356,052
Occupancy	60,163	35,053	33,170	24,218	152,604	22,537	54,176	76,713	229,317
Travel	19,714	3,933	97,210	11,735	132,592	2,225	4,672	6,897	139,489
Supplies	9,288	4,450	722	10,323	24,783	1,436	13,704	15,140	39,923
Telephone	9,578	5,268	2,934	3,637	21,417	3,635	4,060	7,695	29,112
Dues and subscriptions	712	615	500	20	1,847	3,350	1,846	5,196	7,043
Miscellaneous	1,278	4,316	782	603	6,979	13,766	1,757	15,523	22,502
Insurance	5,286	10,864	1,844	906	18,900	4,194	2,520	6,714	25,614
Equipment rental	2,104	3,209	718	1,428	7,459	1,632	981	2,613	10,072
Printing and publications	597	5,500	400	1,276	7,773	1,084	-	1,084	8,857
Conference and meeting	3,790	100	1,160	3,082	8,132	-	505	505	8,637
Depreciation	-	2,657	-	-	2,657	2,410	-	2,410	5,067
Bank fees	182	127	836	20	1,165	1,569	3,915	5,484	6,649
Staff development	443	-	-	-	443	-	79	79	522
Website services	-	184	-	-	184	-	-	-	184
Regranting	-	23,900	-	17,500	41,400	-	-	-	41,400
Loss on Sale of Assets	-	791,276	-	-	791,276	-	-	-	791,276
Community relations	15	40	-	775	830	-	250	250	1,080
Total non-personnel-related	148,955	909,631	248,592	123,179	1,430,357	68,787	223,652	292,439	1,722,796
Total expenses	\$ 610,120	\$ 1,059,543	\$ 399,496	\$ 265,146	\$ 2,334,305	\$ 114,951	\$ 432,014	\$ 546,965	\$ 2,881,270

The accompanying notes are an integral part of this consolidated financial statement.

Global Green USA and Subsidiaries

Consolidated Statement of Cash Flows Year Ended December 31, 2017

Cash Flows from Operating Activities

Decrease in Net Assets	\$ (704,634)
Adjustments to Reconcile Changes in Net Assets to Net Cash Used In Operating Activities:	
Depreciation	5,067
Loss on Sale of Assets	791,276
Changes in assets and liabilities:	
Decrease in Contributions Receivable	13,073
Decrease in Prepaid Expenses	3,213
Decrease in Deposits	856
Decrease in Accounts Payable	(263,557)
Decrease in Accrued Payroll	(12,212)
Decrease in Accrued Vacation	(17,240)
Increase in Deposits Held	8,400
	<hr/>
Net Cash Used In Operating Activities	<u>(175,758)</u>

Cash Flows from Investing Activities

Purchases of Equipment	(162,046)
Proceeds from Sale of Assets	224,666
	<hr/>
Net Cash Provided by Investing Activities	<u>62,620</u>

Cash Flows from Financing Activities

Proceeds from Loan Payable	100,448
	<hr/>
Net Cash Provided by Financing Activities	<u>100,448</u>

Net Decrease in Cash (12,690)

Cash and Cash Equivalents, Beginning of the Year 279,557

Cash and Cash Equivalents, End of the Year \$ 266,867

The accompanying notes are an integral part of this consolidated financial statement.

Global Green USA and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2017

1. Nature of the Organization and Operation

Global Green USA (a California nonprofit organization) (GGUSA) was inspired by Mikhail S. Gorbachev's mission to foster a global value shift toward a sustainable and secure future by reconnecting humanity with the environment. Activist and philanthropist Diane Meyer Simon founded GGUSA in 1994 as the United States' contractor of Green Cross International. GGUSA is focused on their commitment to create sustainable urban environments and combat global warming through a unique, cross-cutting approach that merges innovative research, technical assistance, cutting-edge community-based projects, as well as targeted education and outreach. Guided by a set of holistic principles that address the inadequate social conditions of communities, GGUSA is tackling some of the greatest environmental challenges facing humanity.

Headquartered in Southern California, GGUSA is a national organization which works jointly with its satellite offices in New Orleans, New York City and Washington, D.C. to mitigate global warming through the establishment of affordable green homes, green schools, and sustainable neighborhoods, as well as by the advancement of national and regional green building policies, environmental advocacy and education. GGUSA is particularly concerned with the holistic well-being of low-income individuals and families who have the least access to new technologies, who often must send their children to underperforming schools, and who may live in areas that are far removed from basic services and/or employment opportunities. For more than 22 years, GGUSA's Leadership in Energy and Environmental Design (LEED) accredited staff has spearheaded the application of green building technology to schools and affordable housing, while advancing groundbreaking solar, green building, and energy efficiency legislation in California as well as at the national level. Internationally, GGUSA partners with its affiliates to eliminate weapons of mass destruction that threaten lives and the environment, and to provide clean and safe drinking water for the 2.5 billion people around the world who lack access to it. Through these efforts, GGUSA succeeds in educating hundreds of millions of people annually, leveraging billions of dollars for environmental initiatives, implementing revolutionary environmental policies, stimulating the economy through workforce development and the creation of green jobs, and improving the overall quality of life for tens of thousands of people living in disadvantaged communities.

GGUSA's major program service areas are as follows:

Green Urbanism Program (GUP) – Since 2007, GUP has used the LEED for Neighborhood Development (LEED-ND), a rating and certification system, to assist municipal officials, affordable housing developers, and philanthropic organizations in identifying opportunities to promote sustainable development outcomes at the neighborhood scale. In these assessments, GGUSA's staff work with key stakeholders, including community groups and neighbors, local officials and decision makers, development project managers and design professionals, to compare individual development plans with LEED-ND criteria to measure a plan's adherence to sustainable development objectives. Modifications and additions that will ultimately improve the sustainability of the project are proposed, ensuring that the project will be an exemplary articulation of smart growth principles. Recent accomplishments can be found in our Annual Report.

Global Green USA and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2017

1. Nature of the Organization and Operation (continued)

The Gulf Coast and Green Rebuilding in New Orleans – GGUSA opened an office in New Orleans in March 2006 following the devastation left behind by Hurricane Katrina. Less than a week after the storm, GGUSA's President and Chief Executive Officer, Matt Petersen, put forth his vision for GGUSA to help rebuild New Orleans with an emphasis on recreating a healthy social environment through using energy efficiency training and education along with expanding environmental consciousness as tools to re-establish a vibrant and economically healthy city. In collaboration with several local strategic partners, GGUSA is engaged in an innovative workforce development strategy which focuses its nationally-recognized efforts and expertise in parishes throughout New Orleans, most specifically in areas which have both demonstrated needs along with an indication of promise and sustainable development. Motivated by solid partnerships with institutions in the public, private and business sectors along with valuable community agencies and philanthropic partners, GGUSA is building upon its comprehensive initiatives in New Orleans using a reinforcing model of change via education, technical assistance, and advocacy. Recent accomplishments can be found in our Annual Report.

Water – Through the “Right to Water” campaign and other initiatives, GGUSA is dedicated to ensuring that the right of all people to basic supplies of safe water is respected, as well as nurturing the opportunities for cooperation in trans-boundary water management that help build mutual respect, understanding and trust among countries, as well as promote peace, security and sustainable economic growth. Additionally, GGUSA is helping to bring awareness to transformational water management policies in New Orleans. GGUSA has helped victims of the earthquake in Haiti and to help build compostable latrines and solar neighborhood lighting. Recent accomplishments can be found in our Annual Report.

Climate Change Initiatives and Policy – GGUSA's Policy and Legislative Affairs Department works to educate city, state and federal policymakers and key stakeholders about the importance of taking action and creating smart solutions to address climate change. GGUSA sponsored a bill in the State of California to buy refurbished electronics. However, this is no longer a separate program but has been included with our current programs.

Communications and Education – Communications and Education outreach is a critical component of GGUSA's effectiveness in engaging and informing its key constituents and supports. GGUSA has educated hundreds of millions of people about smart solutions to climate change, through social media, our programs and partnership such as our National Green Schools Program, MUSE partnership, the Citizen Entrepreneurs. However, this is no longer a separate program but has been included with our current programs.

The Coalition for Resource Recovery (CoRR) – The CoRR is a working group of companies under the direction of GGUSA, dedicated to identifying and deploying cost-neutral or better mechanisms to recover resources, in order to reduce greenhouse gas emissions, energy demand, air pollution, and natural resource depletion. CoRR's priorities are to combat climate change and generate business value by transforming waste into assets. CoRR's received new grants for help with the food waste program, both in New York and California. Global Green is working toward a significant shift in the way we address food

Global Green USA and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2017

1. Nature of the Organization and Operation (continued)

systems and waste recovery in California. Right now, our team is poised to launch an innovative food scrap collection pilot project for California's apartment building sector, starting with 30 buildings in 12 cities located within Los Angeles, San Mateo, and Contra Costa Counties. CoRR's recent accomplishments can be found in our Annual Report.

Principles of Consolidation – The consolidated financial statements include the accounts of Global Green USA, Douglas & Andry Sustainable Building, LLC, and Douglas & Andry Sustainable Community Center, LLC, (hereafter collectively referred to as GGUSA), all of which have a December 31 year-end. All material inter-organization transactions have been eliminated in consolidation.

Douglas & Andry Sustainable Building, LLC (Douglas & Andry) is a subsidiary of Global Green USA. Douglas & Andry was organized in 2006 for the purpose of building the Holy Cross Project, a project based in New Orleans, Louisiana, consisting of 5 single-family homes. The project achieved Platinum level certification under the Leadership in Energy and Environmental Design (LEED) Green Building Rating System for all single family homes and other buildings built by Douglas & Andry. By using solar panels, high performance building design, HVAC systems, energy and resource monitoring systems, and energy efficient appliances, the buildings in the Holy Cross Project will consume at least 75% less energy than is typically used in similar buildings. Douglas & Andry is a single-member limited liability company owned entirely by Global Green USA.

Douglas & Andry Sustainable Community Center, LLC (D&A Community Center) is a subsidiary of Global Green USA. D&A Community Center was organized in 2010 for the purpose of building the Community Development and Climate Action Center (CDCAC). The CDCAC ground-breaking was in September 2012 and will provide offices for GGUSA and neighborhood organizations, green building educational exhibits, a credit union, fresh food venue, and public conference facilities. The CDCAC will also serve as an emergency shelter in extreme weather events. The CDCAC is designed to serve dual and complementary purposes: (1) it will be an international "Center of Excellence" for mitigating climate change in coastal communities, and (2) it will address the needs and preferences of local residents by providing space and services. The Center of Excellence will demonstrate all aspects of green building appropriate for this climate zone and provide opportunities for knowledge-sharing between researchers and scientists from around the world. D&A Community Center is a single-member limited liability company owned entirely by Global Green USA.

Collectively, these subsidiaries are referred to in the consolidated financial statements as the Holy Cross Projects.

Global Green USA and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2017

2. Summary of Significant Accounting Policies

Basis of Accounting — The consolidated financial statements of GGUSA have been prepared on the accrual basis of accounting.

Net Assets – GGUSA recognizes contributions, including unconditional promises to give, as revenue in the period received. Contributions and net assets are classified based on the existence or absence of donor-imposed restrictions. The net assets of GGUSA and changes therein are classified and reported as follows:

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of GGUSA.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations, that may or will be met either by actions of GGUSA or passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.

Permanently restricted net assets: Net assets that are restricted by the donors for investment in perpetuity. The investment income generated from these funds is available for general support of GGUSA's programs and operations. There are no permanently restricted net assets at December 31, 2017.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents — GGUSA considers all cash in bank accounts and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. GGUSA was required by certain grantors to hold cash in separate bank accounts. \$6,852 of temporarily restricted cash and cash equivalents is to be used only for the D&A Community Center.

Property and Equipment – Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment are carried at cost when purchased, or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over useful lives ranging from 5 to 40 years.

All costs associated with the Holy Cross Projects are accumulated and capitalized in property and equipment until certificates of occupancy are received. Upon receipt of certificate of occupancy, those properties to be utilized in GGUSA's operations will be depreciated in accordance with the policy described above. The carrying value of the property that is to be sold to third parties is evaluated and adjusted periodically to the lower of cost or fair value less estimated costs to sell (net realizable value) through a valuation allowance.

Global Green USA and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2017

3. Summary of Significant Accounting Policies (continued)

Income taxes — GGUSA is a nonprofit organization, qualifying under section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. As such, except for taxes pertaining to unrelated business income, GGUSA is exempt from federal and state income taxes. No provision has been made for income taxes, as GGUSA had no unrelated business income. GGUSA is not considered a private foundation. GGUSA believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that would require recognition or disclosure at December 31, 2017. There are no years that remain open and are subject to examination by jurisdiction prior to 2014 and 2013 for federal and state, respectively. As of the date of the Independent Auditors' Report, the Organization's 2017 tax returns have not been filed.

Contributions and Grants Receivable – Contributions and grants receivable that are expected to be collected within one year are recorded at net realizable value upon receipt of the award. Grants receivable that are expected to be collected in future years are recorded at fair value at the time of the award. GGUSA measures fair value of grants receivable in more than one year as the present value of expected future cash flows. Amortization of the associated discount is included in grants revenue. Management provides for probable uncollectible amounts based on its assessment of recent collection history and current donor relationships. Conditional grants are not included as support until the conditions on which they depend are substantially met.

Revenue Recognition – In the absence of donor restrictions, contributions and grants are considered to be available for unrestricted use. Contributions are recognized in the period when the contribution is received or unconditional promise to give is made. Donated assets are recorded as contributions at their fair market value. Assets received with donor-imposed conditions are reported as temporarily restricted net assets until the conditions have been substantially met or explicitly waived by the donor. Other income consists of fees received from various entities for providing them assistance with environmental projects.

Donated Services – GGUSA recognizes donated professional services as contributions if those services require specialized skills that would need to be purchased if they were not donated. The value of such services did not aggregate to a material amount for the year ended December 31, 2017.

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 based on actual labor hours incurred with respect to the various programs and support services.

Global Green USA and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2017

4. Property and Equipment, Net

Property and equipment consists of the following at December 31, 2017:

Land	\$ 139,298
Equipment	82,521
Construction in progress	<u>3,873,322</u>
	4,095,141
Less: Accumulated Depreciation	<u>(76,883)</u>
Net Property and Equipment	<u>\$ 4,018,258</u>

The buildings described in Note 1 as Douglas and Andry were sold during the year at a purchase price of \$236,270. The buildings and related construction in progress was disposed at a loss of \$791,276.

Construction in progress was comprised of The Holy Cross Projects (Note 1). A portion of these costs were funded by a grant which limits use of the Projects to an educational and social service facility to provide for services to the residents of New Orleans, Louisiana, the majority of whom are low to moderate income and must be open to the public and provide the community services during normal and customary operation hours for facilities of this type. These limits will apply for a period of five years after the completion of The Holy Cross Projects.

5. Related Party Loan Payable

The Organization entered into an agreement for a loan that is payable to a board member. The loan is to total \$200,000 and is payable to the organization in two installments of \$100,000 each on December 5, 2017 and January 5, 2018. The rate of interest is 6% per annum and repayable in no event later than three years from the date of the loan. Repayment terms state that Global Green will allocate 50% of any donations, grants, or sponsorships received by joint fundraising efforts between Global Green and EARTHx. The loan is secured by future donations, grants and sponsorships received by Global Green.

The board member also agreed to provide the organization a line of credit with a total limit of \$600,000, with draws limited to \$100,000 per month beginning on January 15, 2018. The rate of interest is 6% per annum and repayable in no event later than three years from the date of the line of credit establishment. Repayment terms state that Global Green will allocate 50% of any donations, grants, or sponsorships received by joint fundraising efforts between Global Green and EARTHx. The line of credit is secured by future donations, grants and sponsorships received by Global Green.

Global Green USA and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2017

6. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2017 consist of amounts restricted by donor-imposed stipulations to fund expenses in the following program and supporting services areas:

Green Urbanism Program	\$	132,503
The Gulf Coast and Green Rebuilding in New Orleans		3,823,354
Water		595,466
The Coalition for Resource Recovery		<u>183,156</u>
Total temporarily restricted net assets	\$	<u>4,734,479</u>

7. Release of Restricted Assets

Temporarily restricted net assets at December 31, 2017 consist of amounts restricted by donor-imposed stipulations to fund expenses in the following program and supporting services areas:

Green Urbanism Program	\$	299,720
The Gulf Coast and Green Rebuilding in New Orleans		1,181,013
Water		355,491
The Coalition for Resource Recovery		<u>421,205</u>
Total temporarily restricted net assets	\$	<u>2,257,429</u>

8. Special Events, Net

Net special events income for the year ended December 31, 2017 consists of the following:

	<u>Income</u>	<u>Less: Related Expenses</u>	<u>Net</u>
Pre-Oscars™ Party	\$ 293,483	\$ 287,255	\$ 6,228
Earth Day Texas	<u>25,000</u>	<u>10,522</u>	<u>14,478</u>
Total	<u>\$ 318,483</u>	<u>\$ 297,777</u>	<u>\$ 20,706</u>

Global Green USA and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2017

9. Commitments

GGUSA rents office space in Santa Monica, California; Washington, District of Columbia; New York, New York; and New Orleans, Louisiana, under month-to-month operating leases. Subsequent to year end, the Santa Monica office was subleased to an unrelated third party, and moved to a new space with month-to-month terms.

Rental expense related to the above leases for the year ended December 31, 2017 was approximately \$215,255.

10. Concentrations of Credit Risks

Financial instruments that potentially subject GGUSA to concentrations of credit risk consist of cash and cash equivalents, and amounts receivable. GGUSA places its cash and cash equivalent balances with high credit quality financial institutions where the Federal Deposit Insurance Corporation (FDIC), up to \$250,000 per institution, guarantees the funds. In the normal course of operations, such cash balances exceed the FDIC insurance limits.

Amounts receivable are due from well-known charitable foundations and organizations with substantial assets and government entities. GGUSA's management has assessed the credit risk associated with these cash and cash equivalent balances and amounts receivable and determined that an allowance for potential uncollectible amounts is not necessary.

11. Contingencies

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. Although it is considered a possibility, the Board deems the contingency remote, since, by accepting the gifts and their terms, it has accommodated the objectives of the grantor under the provisions of its gift.

12. Going Concern

As shown in the accompanying financial statements, the Organization incurred a change in net assets of \$(704,634) for the year ended December 31, 2017 and has incurred similar losses in the previous several years. These losses have created an unrestricted net asset balance of \$(687,908) at December 31, 2017. The Organization has borrowed from a board member to secure the funds necessary to continue operations. These factors have created an uncertainty regarding the organization's ability to continue as a going concern.

Management is monitoring the expenses to identify areas in which costs and expenses can be reduced to improve the results of operations. Staff levels are decreased and unfilled positions will remain unfilled. Subsequent to year end, the Santa Monica office lease was terminated and a less expensive space was leased. Management expects overall expenses to decrease in future years as a result of the elimination of various operating expenses.

Global Green USA and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2017

12. Going Concern (continued)

The organization's ability to continue as a going concern is dependent on Management's ability to successfully monitor expenses and increase revenues. The accompanying financial statements do not include any adjustments that might be necessary related to the recoverability or classification of recorded assets or the amounts or classification of liabilities in the event management's plans are not successful.

13. Subsequent Events

Management has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2017 through June 14, 2018, the date the financial statements were available to be issued. Other than the events mentioned in note 5 and note 9, no subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Global Green USA and Subsidiaries

Supplementary Information

**Schedule of Compensation, Benefits, and Other Payments to Agency Head
December 31, 2017**

Agency Head: Lester T. McCabe
Title: President/CEO

Purpose	Amount
Salary	-
Benefits - Insurance (Medical, Dental, Vision, Life)	-
Benefits - retirement	-
Deferred compensation	-
Benefits - other	-
Car Allowance	-
Vehicle provided by government	-
Telephone/Cell Phone Allowance	-
Dues	-
Vehicle rental	-
Per Diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Housing	-
Unvouchered expenses	-
Special Meals	-
Other	-



Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors of
Global Green USA
Santa Monica, California

We have audited the consolidated financial statements of Global Green USA (a nonprofit corporation) and Subsidiaries (GGUSA) which comprise the consolidated statement of financial position and the related consolidated statements of activities, functional expenses and cash flows and the related notes to the financial statements, as of and for the year ended December 31, 2017, and have issued our report thereon dated May 30, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered GGUSA's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GGUSA's internal control. Accordingly, we do not express an opinion on the effectiveness of GGUSA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether GGUSA's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could



have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

GGUSA's Response to Findings

GGUSA's responses to the findings identified in our audit are disclosed in the accompanying schedule of findings and questioned costs. GGUSA's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of GGUSA's internal control on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GGUSA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hymel & Ready, apac

June 14, 2018

Global Green USA and Subsidiaries

Schedule of Findings and Questioned Costs Year Ended December 31, 2017

Part I – Summary of Auditors’ Results

Financial Statement Section

1. Type of auditors’ report	Unmodified
2. Compliance and internal control over financial reporting	
a. Material weaknesses identified	None
b. Significant deficiencies identified not considered to be material weaknesses	Yes
c. Noncompliance noted	None
Was a Management Letter Issued?	Yes

Part II – Financial Statement Findings Section

2017-01 – Use of Restricted Funds

Condition: Funds received from grantors that are temporarily restricted for certain purposes were borrowed to cover operating expenses due to cash flow issues.

Criteria: Temporarily restricted funds should only be used for the purposes laid out by the grantor.

Cause: Cash flow issues caused a situation where the organization needed to use restricted funds to continue operations

Effect: Borrowing from restricted funds could be a breach of grant agreements and result in cancellations of grants. Also, the risk arises that the organization is unable to repay the borrowed restricted funds, causing the entity to be unable to complete the project intended by the grant or forced return of the grant to the grantor .

Recommendation: Global Green USA and Subsidiaries should place restricted fund in separate bank accounts and only release when restriction criteria is met.

Management’s corrective action plan: *We agree with the auditors’ comments. The bylaws have been changed to state that any grant of restricted or temporarily restricted funds shall be placed in a separate savings account until the restriction has been met. The authorization of at least two officers is required for the funds to be released into the primary bank account.*

Global Green USA and Subsidiaries

**Summary Schedule of Prior Year Audit Findings
Year Ended December 31, 2016**

Part I – Financial Statement Findings Section

None Noted