GLOBAL EMERGENCY RELIEF, RECOVERY & RECONSTRUCTION

Winchester, Virginia

FINANCIAL REPORT

December 31, 2018

C O N T E N T S

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Global Emergency Relief, Recovery & Reconstruction
Winchester, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the Global Emergency Relief, Recovery & Reconstruction (the Organization), which comprise the statement of assets, liabilities, and net assets - modified cash basis as of December 31, 2018, the related statement of revenue, expenses and change in net assets - modified cash basis 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

Auditor's Responsibility

Our responsibility is to express an opinion based on conducting our audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion Paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The Organization was unable to provide appropriate supporting documentation for $65,145 of expenses incurred during the year. As a result, we were unable to determine whether any adjustments were necessary related to the classification of those expenses.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
December 30, 2019

GLOBAL EMERGENCY RELIEF, RECOVERY & RECONSTRUCTION

Statement of Assets, Liabilities and Net Assets
- Modified Cash Basis
December 31, 2018

Assets		
Cash and cash equivalents	$	14,898
Investments		96,479
Equipment, net		34,216
Total assets	$	145,593
Net Assets		
Without donor restrictions	$	44,109
With donor restrictions		101,484
Total net assets	$	145,593

See Notes to Financial Statements.

GLOBAL EMERGENCY RELIEF, RECOVERY & RECONSTRUCTION

Statement of Revenue, Expenses and Change in Net Assets - Modified Cash Basis

For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Contributions	$ 10,325	$ 65,927	$ 76,252
Program service fees	14,437	- -	14,437
Other income	66	- -	66
Investment (loss), net	- -	(3,521)	(3,521)
Total revenue	$ 24,828	$ 62,406	$ 87,234
Net assets released from restrictions	136,532	(136,532)	- -
Total revenue	$ 161,360	$ (74,126)	$ 87,234
Expenses:			
Program services	$ 192,377	$ - -	$ 192,377
Management and general	15,221	- -	15,221
Total expenses	$ 207,598	$ - -	$ 207,598
Change in net assets	$ (46,238)	$ (74,126)	$ (120,364)
Net assets, beginning of year	90,347	175,610	265,957
Net assets, end of year	$ 44,109	$ 101,484	$ 145,593

See Notes to Financial Statements.

Note 1. Nature of Business and Significant Accounting Policies

Nature of Business

Global Emergency Relief, Recovery & Reconstruction (the Organization) was incorporated in 2015 under the laws of the Commonwealth of Virginia to assist crisis-affected persons globally to build back better following disasters through integrated relief, recovery and reconstruction services.

Basis of Presentation

The Organization's accounts are maintained on the modified cash basis of accounting. Under this basis, revenues are recognized when collected rather than when earned and expenses are recognized when paid rather than when incurred. Therefore, receivables and payables, which would be recognized under generally accepted accounting principles, and which may be material in amount, are not recognized in the accompanying financial statements. The Organization only records equipment, net of accumulated depreciation, and the fair market value of investments. Accordingly, the accompanying statements are not intended to present results of operations in conformity with U.S. generally accepted accounting principles.

Financial Statement Presentation

Classification of Net Assets

The Organization reports information regarding its financial position and activities according to the "net asset" concept. Net assets are segregated among two categories: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions consists of net assets not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors. Net assets with donor restrictions consist of net assets subject to donor-imposed restrictions. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Support and Revenue Recognition

Gifts of cash and other assets for the general use and benefit of the Organization are presented as net assets without donor restrictions. Other contributions are presented as net assets with donor restrictions if they are received with donor stipulations that further limit the use of the donated assets. When a donor restriction is fulfilled, that is, when a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of revenue, expenses and change in net assets as net assets released from restrictions.

Contributions received are recorded net assets with or without donor restrictions depending on the existence and/or nature of any donor restrictions.

Cash and Cash Equivalents

For financial statement purposes, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

The Organization has cash deposits in financial institutions that may at times exceed the federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Equipment

Equipment is recorded at cost. All assets over $1,000 with an estimate useful life exceeding one year are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Investments

The Organization records investments at fair market value in the statement of financial position. Investment (loss) is reflected in the statement of activities, net of any fees. Investment (loss), net consists of the following for the year ended December 31, 2018:

Interest and dividends	$ 2,240
Realized and unrealized (loss)	(5,419)
Investment fees	(342)
Investment (loss), net	$ (3,521)

Income Taxes

The Organization is a non-profit organization exempt from taxes under Section 501(c)(3) of the Internal Revenue Code. There is no provision for income taxes in these financial statements.

New Accounting Pronouncement

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statement for Not-for-Profit Entities*. The Organization adopted the provisions of this new standard in the current year. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources (Note 2), the allocation methodology for the schedule of functional expenses (Note 1) and the schedule of functional expenses (Note 8). Adoption of this standard had no effect on the change in net assets or in total.

Allocation Methodology for the Schedule of Functional Expenses

The costs of providing program and other activities are summarized on a functional basis in the schedule of functional expenses. Certain costs have been allocated among program, management and general and fundraising. Such allocations have been made by management on an equitable basis. Expenses are allocated based on direct allocation.

Note 2. Liquidity and Availability of Resources

The Organization has the following financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure.

Financial assets, at year-end:		
Cash and cash equivalents	$	14,898
Investments		96,479
Total financial assets	$	111,377
Less those unavailable for general expenditure within one year, due to:		
Donor-imposed restrictions, with add-back of deficit in endowment	$	105,005
Financial assets not available to be used within one year	$	105,005
Financial assets available to meet cash needs for general expenditures within one year	$	6,372

Note 3. Net Assets with Donor Restrictions

Amounts included in net assets with donor restrictions as of December 31, 2018 include:

Endowment, principal portion	$	100,000
Accumulated defecit on endowment		(3,521)
Haiti Tree Recovery Project		- -
Hurricane Florence and Michael Response		5,005
	$	101,484

Note 4. Net Assets Released from Restrictions

Net assets are released from donor restrictions when expenses are incurred satisfying the donors' restricted purposes or by the occurrence of other events specified by donors. Total net assets released from restrictions during the year ending December 31, 2018 include:

Haiti Tree Recovery Project	$	75,610
Hurricane Florence and Michael Response		20,042
Vehicles		40,880
	$	136,532

Note 5. Endowment Funds and Related Party Transaction

In 2017, the Organization received funds to establish an endowment. The funds were received from a related party of the Organization's Chief Executive Officer.

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature exist in the donor-restricted endowment funds as of December 31, 2018 as follows:

Fair value, December 31, 2018	$	96,479
Original gift value		100,000
Deficiency	$	(3,521)

The following table summarizes the changes in endowment net assets for the year ended December 31, 2018:

	With Donor Restrictions
Endowment net assets, December 31, 2017	$ 100,000
Investment return:	
Interest and dividends	$ 2,240
Realized and unrealized (loss)	(5,419)
Investment fees	(342)
Total investment (loss), net	$ (3,521)
Endowment net assets, December 31, 2018	$ 96,479

Endowment Spending Policy

The spending rate of the endowment fund shall be between 0-5% as determined annually by the Endowment Committee. The amount available for appropriation during each fiscal year shall be calculated by applying the policy spending rate to the average of the previous three fiscal year's ending-period endowment values.

Note 6. Investments

The Organization holds the following investments at December 31, 2018:

	Cost Basis	Unrealized (Loss)	Fair Value
Cash and cash equivalents	$ 3,768	$ - -	$ 3,768
Equity securities	98,264	(5,553)	92,711
	$ 102,032	$ (5,553)	$ 96,479

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are briefly described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2	Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instrument.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair values of all of the marketable securities as of December 31, 2018 are based on unadjusted, quoted prices in active markets as of the measurement date (often referred to as Level 1 inputs.)

The following table presents the balance of financial assets measured at fair value on a recurring basis as of December 31, 2018:

	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 3,768	$ - -	$ - -
Equity securities	92,711	- -	- -
	$ 96,479	$ - -	$ - -

Note 7. Equipment

Equipment consisted of the following as of December 31, 2018:

	Depreciable Lives	
Vehicles	5 years	$ 35,703
		$ 35,703
Less accumulated depreciation		(1,487)
		$ 34,216

Depreciation expense was $1,487 for the year ended December 31, 2018.

Note 8. Schedule of Functional Expenses

The schedule of functional expenses is as follows for the year ended December 31, 2018:

	Program	Management and General	Total
Bank fees	$ 2,536	$ 778	$ 3,314
Depreciation	- -	1,487	1,487
Dues and subscriptions	- -	1,775	1,775
Insurance, general	202	5,305	5,507
License and registration fees	- -	167	167
Office supplies	783	484	1,267
Telephone, telecommunications	240	16	256
Consultants	98,001	1,951	99,952
Program supplies	29,890	841	30,731
Travel	59,809	2,417	62,226
Visibility	916	- -	916
	$ 192,377	$ 15,221	$ 207,598

Note 9. Upcoming Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the balance sheet for leases with terms exceeding 12 months. ASU 2016-02 defines a lease as a contract or a part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and lease liability at the present value of remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU 2016-02 is effective for the Organization for the year ending December 31, 2020. FASB has proposed a one-year extension to the effective date, which would make the effective date for the year ended December 31, 2021. The proposed extension is currently open for public comment. Early adoption is permitted. The Organization is currently evaluating the impact that the adoption of Topic 842 will have on its financial statements.

In June 2018, the FASB issued Accounting Standards Update No. 2018-08, Not-for-Profit Entities (Topic 958), which clarifies the scope and the accounting guidance for contributions received and contributions made. Specifically, the update assists entities in determining whether a transaction should be accounted for as a contribution or an exchange transaction. If a transaction is accounted for as an exchange transaction, other accounting guidance, for example, in Topic 606, Revenue from Contracts with Customers, should be followed. If, however, a transaction is accounted for as a contribution, guidance in Subtopic 958-605 should be followed. Additionally, the update assists entities in determining whether a contribution is conditional. ASU 2018-08 is effective for contributions received by the Organization for its year ended December 31, 2019. ASU 2018-08 is effective for contributions made, if applicable, by the Organization for its year ended December 31, 2020. Early adoption is permitted. The Organization is currently evaluating the impact that the adoption of Topic 958 will have on its financial statements.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606), which provides guidance for recognizing revenue from contracts with customers. The core principle of ASU 2014-09 is that revenue will be recognized when promised goods or services are transferred to customers in an amount that reflects consideration for which entitlement is expected in exchange for those goods or services. Generally, the ASU states that revenue should be recognized by following a five step process which include identifying the contract with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligation in the contract, and recognizing revenue as the entity satisfies a performance obligation. ASU 2014-09 is effective for the Organization for its year ended December 31, 2019. The Organization is currently evaluating the impact that the adoption of Topic 606 will have on its financial statements.

Note 10. Subsequent Events

The Organization has evaluated all subsequent events through December 30, 2019, the date the financial statements were available to be issued. The Organization has determined there are no subsequent events that require recognition or disclosure.