

Global Green USA and Subsidiaries

Consolidated Financial Statements and

Independent Auditors' Report

December 31, 2013



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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, 2013, 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, 2013, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the 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 December 29, 2014, 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

December 29, 2014

Global Green USA and Subsidiaries

Consolidated Statement of Financial Position December 31, 2013

Assets

Current Assets

Unrestricted Cash & Cash Equivalents	\$ 726,605
Temporarily Restricted Cash & Cash Equivalents	1,089,226
Receivables	
Contributions	505,288
Grants	85,548
Prepaid Expenses	31,762

Total Current Assets 2,438,429

Non-Current Assets

Property and equipment, net	3,706,593
Deposits	20,936

Total Non-Current Assets 3,727,529

Total Assets \$ 6,165,958

Liabilities and Net Assets

Current Liabilities

Accounts Payable	\$ 727,029
Accrued Payroll	55,928
Accrued Vacation	23,558
Deposits Held	4,057

Total Current Liabilities 810,572

Net Assets

Unrestricted	386,888
Temporarily Restricted	4,968,498

Total Net Assets 5,355,386

Total Liabilities and Net Assets \$ 6,165,958

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, 2013

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Contributions and grants			
Individuals	\$ 694,942	\$ 222,900	\$ 917,842
Foudations, corporations and gov	776,272	1,658,499	2,434,771
Program Income	184,233	-	184,233
Special events, net of related expenes including \$445,263 of costs of direct benefit to donors	491,396	125,000	616,396
Other Income	2,190	-	2,190
Net assets released from restrictions	2,413,813	(2,413,813)	-
Total Support and Revenues	4,562,846	(407,414)	4,155,432
Expenses			
Program Services			
Environmental Security and Sustainability	311,682	-	311,682
Green Urbanism Program (GUP)	439,634	-	439,634
The Gulf Coast and Green Rebuilding in New Orleans	1,177,887	-	1,177,887
Water	511,498	-	511,498
Climate Change Initiatives and Policy	269,210	-	269,210
Communications and Education	286,707	-	286,707
The Coalition for Resource Recovery (CoRR)	206,318	-	206,318
Total Program Services	3,202,936	-	3,202,936
Supporting Services			
Management and general	473,015	-	473,015
Fundraising	277,805	-	277,805
Total supporting services	750,820	-	750,820
Total Expenses	3,953,756	-	3,953,756
Reassignment of Grant Funds	-	(894,687)	(894,687)
Change in Net Assets	609,090	(1,302,101)	(693,011)
Net Assets, Beginning of the Year	(222,202)	6,270,599	6,048,397
Net Assets, End of the Year	\$ 386,888	\$ 4,968,498	\$ 5,355,386

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

Global Green USA and Subsidiaries

Consolidated Statement of Functional Expenses
For the year ended December 31, 2013

	Environ- mental Security and Sustain- ability	Green Urbanism Program (GUP)	The Gulf Coast and Green Rebuilding in New	Water	Climate Change Initiatives and Policy	Communi- cations and Education	The Coalition for Resource Recovery (CoRR)	Total Program Services	Manage- ment and general	Fundraising	Total supporting services	Total
Salary and wages	\$ 24,903	\$ 213,376	\$ 326,105	\$ 264,109	\$ 116,987	\$ 183,419	\$ 119,774	\$1,248,673	\$ 192,580	\$ 95,316	\$ 287,896	\$1,536,569
Employee benefit	1,917	19,463	44,973	18,018	13,920	14,329	12,343	124,963	48,204	3,525	51,729	176,692
Payroll Taxes	2,183	17,825	26,888	21,601	10,130	15,672	9,716	104,015	16,860	7,846	24,706	128,721
Total personnel-related	29,003	250,664	397,966	303,728	141,037	213,420	141,833	1,477,651	257,644	106,687	364,331	1,841,982
Professional fees	130,661	111,684	221,606	132,893	16,069	25,963	3,720	642,596	17,552	79,341	96,893	739,489
Occupancy	42,741	11,971	56,066	8,687	6,198	4,845	37,920	168,428	124,846	13,353	138,199	306,627
Travel	69,984	39,072	15,330	43,364	19,732	6,818	8,527	202,827	17,874	7,317	25,191	228,018
Regranting	24,100	-	338,326	-	75,000	-	-	437,426	-	-	-	437,426
Telephone	6,637	7,504	18,871	6,847	5,435	3,961	4,297	53,552	11,036	3,313	14,349	67,901
Community relations	-	-	43,985	-	-	-	-	43,985	230	-	230	44,215
Printing and publications	1,216	1,044	22,639	5,049	1,150	6,356	-	37,454	1,724	11,390	13,114	50,568
Depreciation	593	837	7,241	962	502	538	322	10,995	1,832	2,024	3,856	14,851
Insurance	1,102	1,555	12,699	1,791	932	999	598	19,676	3,402	3,759	7,161	26,837
Special program events	971	-	3,079	411	-	-	3,968	8,429	2,323	25,646	27,969	36,398
Supplies	1,013	2,737	10,613	1,172	532	21,093	1,154	38,314	8,411	609	9,020	47,334
Postage and shipping	-	14	7,646	84	330	110	61	8,245	2,057	2,810	4,867	13,112
Miscellaneous	307	436	4,601	501	290	288	168	6,591	12,077	1,808	13,885	20,476
Bank Fees	1,852	-	755	141	89	67	56	2,960	4,622	13,982	18,604	21,564
Conference and meeting	-	3,070	2,054	3,878	702	1,016	449	11,169	755	-	755	11,924
Staff Development	-	134	5,255	-	-	-	101	5,490	1,824	2,459	4,283	9,773
Dues and subscriptions	-	7,809	1,444	522	551	524	99	10,949	2,083	2,650	4,733	15,682
Equipment rental & maintenance	782	1,103	7,711	1,268	661	709	725	12,959	2,414	658	3,072	16,031
Website services	720	-	-	200	-	-	2,320	3,240	310	-	310	3,550
Total non-personnel-related	282,679	188,970	779,921	207,770	128,173	73,287	64,485	1,725,285	215,371	171,118	386,489	2,111,774
Total expenses	\$ 311,682	\$ 439,634	\$1,177,887	\$ 511,498	\$ 269,210	\$ 286,707	\$ 206,318	\$3,202,936	\$ 473,015	\$ 277,805	\$ 750,820	\$3,953,756

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, 2013

Cash Flows from Operating Activities	
Decrease in Net Assets	\$ (693,011)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:	
Changes in assets and liabilities:	
Depreciation	14,851
Loss on Disposal of Property and Equipment	2,167
Increase in Contributions Receivable	(228,580)
Decrease in Grants Receivable	245,513
Decrease in Other Receivables	19,977
Increase in Prepaid Expenses	(2,311)
Decrease in Deposits	159
Increase in Accounts Payable	128,799
Decrease in Accrued Payroll	(17,516)
Decrease in Accrued Vacation	(24,397)
Decrease in Deposits Held	(4,400)
	<hr/>
Net Cash Provided by Operating Activities	(558,749)
	<hr/>
Cash Flows from Investing Activities	
Purchases of Equipment	(5,564)
Construction in Progress	(592,588)
	<hr/>
Net Cash Used In Investing Activities	(598,152)
	<hr/>
Net Increase in Cash	(1,156,901)
Cash and Cash Equivalents, Beginning of the Year	<hr/> 2,972,732
Cash and Cash Equivalents, End of the Year	<hr/> \$ 1,815,831

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

Global Green USA and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2013

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 18 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:

Environmental Security & Sustainability – The Environmental Security & Sustainability program was created to facilitate communications, progress, and timely action among stakeholders (consumers, businesses, labor, and the public) to meet the challenges of the environmental legacies of the Cold War and safely eliminate weapons of mass destruction. As part of this program, GGUSA is working with local and regional communities affected by stockpiles of chemical, nuclear, and conventional weapons to improve their social and medical conditions. The program also promotes the issues of biosecurity, biosafety, and responsible biomedical research. Recent accomplishments can be found in our Annual Report.

Global Green USA and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2013

1. Nature of the Organization and Operation (continued)

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.

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 also has projects in The Congo helping to bring Solar PV's to a woman's shelter. The need for this shelter has been brought about by the worlds demand for conflict minerals and the distress surrounding their extraction. GGUSA sponsored a bill in the State of California to buy refurbished electronics. Recent accomplishments can be found in our Annual Report.

Global Green USA and Subsidiaries

Notes to Consolidated Financial Statements
December 31, 2013

1. Nature of the Organization and Operation (continued)

Communications and Education – Communications and Education outreach is a critical component of GGUSA's effectiveness in engaging and informing its key constituents and supporters. GGUSA has educated hundreds of millions of people about smart solutions to climate change, through social media, and programs such as our National Green Schools Program and Citizen Entrepreneurs. Recent accomplishments can be found in our Annual Report.

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 recent accomplishments can be found in our Annual Report.

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.

Douglas & Andry Sustainable Apartments, LLC (D&A Apts.) is a subsidiary of Global Green USA. D&A Apts. was organized in 2007 for the purpose of building an 18-unit apartment building. The primary goal of the project is to achieve Platinum level certification under the Leadership in Energy and Environmental Design (LEED) Green Building Rating System for the apartment buildings built by D&A Apts. D&A Apts. is a single-member limited liability company owned entirely by Global Green USA.

Global Green USA and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2013

1. Nature of the Organization (continued)

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

Principles of Consolidation – The consolidated financial statements include the accounts of Global Green USA, Douglas & Andry Sustainable Building, LLC, Douglas & Andry Sustainable Community Center, LLC, Douglas & Andry Sustainable Apartments, LLC, and Global Green Sustainable Community Development Fund, 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.

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, 2013.

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. \$765,882 of cash and cash equivalents - restricted is to be used only for the D&A Community Center.

2. Summary of Significant Accounting Policies (continued)

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.

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, 2013. There are no years that remain open and are subject to examination by jurisdiction prior to 2010 and 2009 for federal and state, respectively.

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.

Global Green USA and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2013

2. Summary of Significant Accounting Policies (continued)

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, 2013.

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.

3. Grants Receivable

Grants receivable are comprised primarily of amounts due from foundations, government agencies, and private firms contracted by government agencies. All grants receivable are unsecured and non-interest-bearing. Grants receivable at December 31, 2013 total \$85,548.

4. Property and Equipment, Net

Property and equipment consists of the following at December 31, 2013:

Land	\$ 146,497
Buildings	1,194,540
Equipment	75,235
Construction in progress	<u>3,421,089</u>
	4,837,361
Less: Accumulated Depreciation	<u>(1,130,768)</u>
Net Property and Equipment	<u><u>\$ 3,706,593</u></u>

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.

Global Green USA and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2013

5. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2013 consist of amounts restricted by donor-imposed stipulations to fund expenses in the following program and supporting services areas:

Program Services	
Environmental Security and Sustainability	\$ 89,675
Green Urbanism Program	45,194
The Gulf Coast and Green Rebuilding in New Orleans	4,385,762
Water	225,541
Climate Change Initiatives and Policy	7,500
Communications and Education	42,578
The Coalition for Resource Recovery	47,248
Total Program Services	<u>4,843,498</u>
Supporting Services	
Fundraising	<u>125,000</u>
Total Supporting Services	<u>125,000</u>
Total temporarily restricted net assets	<u>\$ 4,968,498</u>

6. Release of Restricted Assets

Temporarily restricted net assets at December 31, 2013 consist of amounts restricted by donor-imposed stipulations to fund expenses in the following program and supporting services areas:

Program Services	
Environmental Security and Sustainability	\$ 223,690
Green Urbanism Program	367,904
The Gulf Coast and Green Rebuilding in New Orleans	904,413
Water	465,506
Communications and Education	232,422
The Coalition for Resource Recovery	137,502
Total Program Services	<u>2,331,437</u>
Supporting Services	
Fundraising	<u>82,376</u>
Total Supporting Services	<u>82,376</u>
Total temporarily restricted net assets	<u>\$ 2,413,813</u>

Global Green USA and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2013

7. Special Events, Net

Net special events income for the year ended December 31, 2013 consists of the following:

	Income	Less: Related Expenses	Net
Millennium Awards	\$ 333,805	\$ 175,121	\$ 158,684
New York Awards	248,501	235,794	12,707
San Francisco Awards	346,337	147,161	199,176
Pre-Oscars™ Party	487,366	241,537	245,829
Total	<u>\$ 1,416,009</u>	<u>\$ 799,613</u>	<u>\$ 616,396</u>

8. Commitments

GGUSA rents office space in Santa Monica, California; Washington, District of Columbia; New York, New York; and New Orleans, Louisiana, under non-cancellable operating leases. Additionally, GGUSA is a party to non-cancellable operating equipment lease agreements. Future minimum rental payments due under the terms of the operating lease agreements, with remaining terms of one year or more, by year, are as follows:

Year Ending December 31,	
2014	\$ 305,179
2015	290,106
2016	152,211
2017	53,063
2018	56,344
Thereafter	<u>74,753</u>
Total	<u>\$ 931,656</u>

Rental expense related to the above leases for the year ended December 31, 2013 was approximately \$301,918.

9. 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.

Global Green USA and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2013

9. Concentrations of Credit Risks (continued)

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.

10. 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.

11. Reassignment of Grant Funds

Reassignment of grant funds consists of repayments of funds back to grantors due to the termination of certain activities.

Pursuant to an agreement signed in May 2013 \$697,960 of cash and cash equivalents - restricted was assigned back to the original grantor of the funds. In January of 2013, the remaining balance of a temporarily restricted fund was assigned back to the original grantor, totally \$58,809. During 2013, a sponsorship was refunded back to the sponsor in the amount of \$100,000.

12. Subsequent Events

Management has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2013 through December 29, 2014, the date the financial statements were available to be issued. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.



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, 2013, and have issued our report thereon dated December 29, 2014. 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*.

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

December 29, 2014



Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited Global Green USA (a nonprofit corporation) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Global Green USA major federal programs for the year ended December 31, 2013. Global Green USA major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Global Green USA management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Global Green USA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Global Green USA's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Global Green USA's compliance.

Opinion on Each Major Federal Program

In our opinion, Global Green USA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the



accompanying schedule of findings and questioned costs as items 2013-1 and. Our opinion on each major federal program is not modified with respect to these matters.

Global Green USA's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs as item 2013-1. Global Green USA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Global Green USA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Global Green USA's internal control over compliance with the types that could have a direct and material effect on a major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Global Green USA's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-1 that we consider to be a significant deficiency

Global Green USA's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs as item 2013-1. Global Green USA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Global Green USA's of and for the year ended December 31, 2013, and have issued our report thereon dated December 29, 2014, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Hymel & Ready, apac

December 29, 2014

Global Green USA and Subsidiaries

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grantor's Number	Grant Amount	Grant Period	Federal Expenditures
Environmental Protection Agency					
Environmental Policy Innovation Grants	66.611	PI-83611001-0	\$ 830,050	10/21/11 - 09/30/16	\$ 173,168
Department of Housing and Urban Development (HUD)					
Community Development Block Grant ARRA Entitlements Grants (CDBG-R) (Recovery Act Funded) Passed through: City of New Orleans	14.253	K11-952	2,200,000	10/01/11 - 09/30/16	1,011,816
Division of Administration, Office of Community Development Passed through: State of Louisiana	14.228	CFMS#696735	150,080	06/21/10 - 09/14/14	65,832
Total Department of Housing and Urban Development					<u>1,077,648</u>
Department of Energy					
Energy Efficiency and Conservation Block Grant Program (EECBG) (ARRA) Passed through: City of New Orleans Southeast Energy Efficiency Alliance	81.128	K11-751	174,958	04/01/11 - 09/30/13	42,262
	81.128	2011-BBP-NOLA-002	1,870,087	04/01/11 - 09/30/13	650,575
Total CFDA 81.128					<u>692,837</u>
Energy Efficiency and Renewable Energy Holy Cross Project community Development and Climate Action Center Renewable Energy and Potable Water Elements	81.086	DE-EE0003421	550,000	10/01/10 - 07/31/15	32,054
Total Department of Energy					<u>724,891</u>
Total Federal Awards					<u><u>1,975,707</u></u>

Global Green USA and Subsidiaries

**Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013**

1. Summary of Significant Accounting Policies

Basis of Presentation – The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Awards Listed by Catalog of Federal Domestic Assistance Number

Environmental Protection Agency	66.611	173,168
U.S. Department of Housing and Urban Development	14.253	1,011,816
U.S. Department of Housing and Urban Development	14.228	65,832
U.S. Department of Energy	81.128	692,837
U.S. Department of Energy	81.086	<u>32,054</u>
Total		<u><u>1,975,707</u></u>

Global Green USA and Subsidiaries

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2013**

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 | None |
| c. Noncompliance noted | None |

Federal Awards Section

- | | |
|--|------------|
| 3. Type of auditors’ report issued on compliance for major program | Unmodified |
| 4. Internal Control over major programs | |
| a. Material weaknesses identified | None |
| b. Significant deficiencies identified not considered to be material weaknesses | Yes |
| 5. Audit findings disclosed that are required in accordance with OMB A-133, Section 510a | None |
| 6. Identification of major programs | |
| 14.253 – Community Development Block Grant ARRA | |
| 81.128 – Energy Efficiency and Conservation Block Grant Program ARRA | |
| 7. Dollar Threshold used to distinguish between Type A and B programs | \$300,000 |
| 8. Auditee qualified as a low-risk auditee under OMB A-133, Section 530 | No |

Global Green USA and Subsidiaries

Schedule of Findings and Questioned Costs Year Ended December 31, 2013

Part II – Financial Statement Findings Section

None Noted

Part III – Federal Award Findings and Questioned Costs Section

2013-01 – Timely Submission of Single Audit Report

Criteria: Controls should be established to ensure that Global Green USA and Subsidiaries can complete the required audit and reporting in a reasonable time to allow for timely filing.

Condition: Under OMB Circular A-133 Subpart C.320(a), single audits are due nine months after the end of the organization's fiscal year. Under Louisiana Revised Statute 24:513, audits of grant recipients are due six months after the organization's year end.

Cause: Inadequate controls to ensure compliance with annual federal awards reporting requirements resulted in delayed submission of single audit reports for the year ended December 31, 2013.

Effect: Delayed submission of single audit reports for the year ended December 31, 2013.

Recommendation: Global Green USA and Subsidiaries needs to improve internal controls to ensure timely resolution of accounting issues and timely completion of financial statements.

Management's corrective action plan: *The late engagement of an auditor was the reason the 2013 audit was not completed timely. We engaged our current auditor as of October 16, 2014, which was after the due date. This occurred due to the delay in completing the 2012 audit. We plan to engage an auditor for the 2014 audit within 60 days of year end, as to provide ample time to complete the audit and comply with submission rules.*

Part I – Financial Statement Findings Section

2012-1 Segregation of Duties

Invoice approval and check signing

Condition: The former Chief Operating Officer (COO), who had overall financial responsibility, was authorized to sign checks with only one signature required. The COO was also authorized to approve invoices and check requests. Moreover, the COO had authority to create and enter journal entries to the general ledger.

Recommendation: Internal control procedures should be implemented to require two signatures on all checks and another individual to approve invoices or check requests. All journal entries should be approved by a different individual who has not created the journal entry. A review should be performed of the current personnel and the accounting duties for which they are responsible. Management and/or the audit committee should isolate any incompatible accounting functions that are the responsibility of one employee and reassign responsibility for these duties, or create a supervisory review of those functions.

Current Status: The recommendation was adopted.

Accounts Receivable

Condition: The Accounting Manager collects accounts receivable, prepares the deposit slips, deposits receipts and post receipts to the accounts receivable sub ledger.

Recommendation: Internal control procedures should be implemented so as to not have the same person prepare the deposit slips, deposit receipts and post receipts to the accounts receivable sub ledger. A review of the current personnel and the accounting duties they are responsible for should be performed. Management and or the audit committee should isolate any incompatible accounting functions that are the responsibility of one employee and reassign responsibility for these duties, or create a supervisory review of those functions.

Current Status: The recommendation was adopted.

2012-2 Consolidation procedures

Condition: There are multiple general ledgers in Quick books for Global Green USA's various subsidiaries. These general ledger ending balances are manually transferred to an excel spreadsheet by the accounting manager in order to prepare the consolidated financial statements.

Recommendation: Proper consolidating software is essential to assure accurate financial statements and to eliminate potential error in such statements. In addition proper software will enhance and improve efficiency in the accounting department.

Current Status: The finding does not warrant further action. The current system appears to be functioning properly. Additional software does not appear to provide any improved efficiencies when factoring the cost benefit and the necessary training time commitment.

Global Green USA and Subsidiaries

**Summary Schedule of Prior Year Audit Findings
Year Ended December 31, 2013**

Part II – Federal Award Findings and Questioned Costs Section

2012-3 Timely Submission of Single Audit Report

The discussion for Finding 2013-1 also applies to this Finding.