

GLOBAL DISCIPLES

***YEARS ENDED
JUNE 30, 2013 AND 2012***



Independent Auditors' Report

Board of Directors
Global Disciples
Lancaster, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Global Disciples (a nonprofit Organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years 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 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 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditors' 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 auditors consider internal control relevant to the Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements referred to above present fairly, in all material respects, the financial position of Global Disciples as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Brown Schultz Steindam & Fritz

February 20, 2014

GLOBAL DISCIPLES

STATEMENTS OF FINANCIAL POSITION – JUNE 30, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
Cash	\$ 267,904	\$ 108,388
Receivables:		
Contributions	103,655	38,883
Other	7,576	
Due from related party	50,000	218,300
Prepaid expenses	<u>1,810</u>	<u>5,035</u>
	<u>430,945</u>	<u>370,606</u>
Equipment	50,501	43,761
Leasehold improvements	<u>84,837</u>	<u>84,837</u>
	135,338	128,598
Less accumulated depreciation	<u>92,811</u>	<u>80,948</u>
	<u>42,527</u>	<u>47,650</u>
Cash restricted for retirement of international employees	39,430	33,077
Security deposit	<u>799</u>	<u>799</u>
	<u>40,229</u>	<u>33,876</u>
Total assets	<u><u>\$ 513,701</u></u>	<u><u>\$ 452,132</u></u>

See notes to financial statements.

LIABILITIES AND NET ASSETS

	2013	2012
Liabilities:		
Accounts payable	\$ 2,483	
Accrued expenses	92,295	\$ 63,231
Total liabilities	94,778	63,231
Net assets:		
Unrestricted, other	133,840	148,739
Designated grant funds:		
GDT Alliance Fund	68,645	83,998
Leadership Fund	291	39,591
Missions Fund	56,373	40,037
Lead Alliance Fund	14,621	14,371
Generosity Fund	19,962	
Temporarily restricted	293,732	326,736
Temporarily restricted	125,191	62,165
Total net assets	418,923	388,901
Total liabilities and net assets	\$ 513,701	\$ 452,132

GLOBAL DISCIPLES
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Changes in unrestricted net assets:		
Revenue and other support:		
Contributions:		
Grants	\$ 1,063,091	\$ 682,018
Other	1,440,401	1,016,746
Honorariums	1,575	1,864
Interest income	118	363
Total revenue and other support	2,505,185	1,700,991
Net assets released from restrictions	673,185	958,848
Total unrestricted revenue and other support	3,178,370	2,659,839
Expenses:		
Program expenses:		
Training and education	1,997,182	1,336,497
Network development	751,327	802,226
Total program expenses	2,748,509	2,138,723
Supporting services:		
General and administrative	176,631	264,646
Fund-raising	286,234	163,681
Total supporting expenses	462,865	428,327
Total expenses	3,211,374	2,567,050

(continued)

GLOBAL DISCIPLES
STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Increase (decrease) in unrestricted net assets	\$ (33,004)	\$ 92,789
Changes in temporarily restricted net assets:		
Contributions:		
GDT Alliance	96,707	241,221
Micro-Business Development	68,979	155,443
Leadership Development	3,466	69,233
Staff support	463,404	442,324
Other	103,655	38,883
Net assets released from restrictions	<u>(673,185)</u>	<u>(958,848)</u>
Increase (decrease) in temporarily restricted net assets	<u>63,026</u>	<u>(11,744)</u>
Increase in net assets	30,022	81,045
Net assets:		
Beginning of year	<u>388,901</u>	<u>307,856</u>
End of year	<u>\$ 418,923</u>	<u>\$ 388,901</u>

See notes to financial statements.

GLOBAL DISCIPLES
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 30,022	\$ 81,045
Adjustments:		
Depreciation	14,243	10,934
Loss on disposal of assets		329
Change in:		
Receivables:		
Contributions	(64,772)	15,187
Other	(7,576)	
Due from related party	168,300	(218,300)
Prepaid expenses	3,225	1,178
Cash restricted for retirement of international employees	(6,353)	(3,963)
Accounts payable	2,483	(24,040)
Accrued expenses	29,064	5,308
	<u>138,614</u>	<u>(213,367)</u>
Total adjustments		
Net cash provided by (used in) operating activities	168,636	(132,322)
Cash flows used in investing activities, purchase of equipment	<u>(9,120)</u>	<u>(4,896)</u>
Net increase (decrease) in cash	159,516	(137,218)
Cash:		
Beginning	<u>108,388</u>	<u>245,606</u>
Ending	<u>\$ 267,904</u>	<u>\$ 108,388</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest, which is also interest expense	\$ 1,343	\$ 1,342

See notes to financial statements.

GLOBAL DISCIPLES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012

1. Description of the Organization and activities:

Description of the Organization:

Global Disciples (the Organization) is incorporated under the Pennsylvania Nonprofit Corporation Law. Global Disciples receives support primarily from individuals and other not-for-profit organizations with a similar focus (the Alliance).

Activities:

Training and education – Global Disciples links with other like-minded organizations to provide various formal and non-formal training and educational options, which equip individuals and groups with the understanding and skills necessary to relate and communicate cross-culturally, to study or work internationally or to live responsibly as global citizens.

The 10% Funds of Global Disciples (the 10% Funds) – Global Disciples has made a commitment, through these funds, to give at least 10% of all unrestricted general contributions received by Global Disciples to other organizations that have a similar focus to one of the three areas that Global Disciples has identified as priority globally: cross-cultural training, micro-business development in least advantaged areas and leadership development. The five funds discussed below receive a percentage of the 10% Funds:

The GDT Alliance Fund is the vehicle for receiving and dispersing the 10% Funds from general contributions applied toward the cross-cultural training activities of Global Disciples. Through June 30, 2013, substantially all recipients of these Grant Funds related to the GDT Alliance. All member programs of the GDT Alliance contribute 2% or more of their program budget to this fund as well. The balance of the funding of this program comes from the general fund of Global Disciples and donor restricted contributions. The funds are used as seed funds to help launch new cross-cultural training programs and for program leadership development, travel and mentoring.

The Micro-Business Development Grant Fund is the vehicle for receiving and dispersing the 10% Funds from general contributions applied toward the Global Access activities of Global Disciples. The director of this track, along with the executive director, determines what organizations with a similar focus will be the recipients of grants from this fund.

GLOBAL DISCIPLES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

1. Description of the Organization and activities (continued):

Activities (continued):

The 10% Funds of Global Disciples (continued):

Leadership development is comprised of the following two funds:

The Leadership Grant Fund is the vehicle for receiving and dispersing the 10% Funds from general contributions applied toward Leadership Development activities of Global Disciples. The director of this track, along with the executive director, determines what organizations with a similar focus will be the recipients of grants from this fund.

The LEAD Alliance Fund is the vehicle for receiving and dispersing funds provided by the member programs of the LEAD Alliance, who provide a minimum of 2% of their program budget to this fund. The funds are used to cover transportation costs for the primary leaders of candidate programs to attend training events, for mentor program leaders to visit training programs they are mentoring, for translation expenses of resource materials and to assist with the purchase of teaching aids or equipment for programs.

The Generosity Fund receives a small portion of the 10% Funds which are made available for new initiatives, special projects or immediate urgent needs of organizations affiliated with the Alliance.

2. Summary of significant accounting policies:

Basis of accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of presentation:

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) as codified in FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under ASC 958, the Organization is required to report information regarding its financial position and activities in up to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

GLOBAL DISCIPLES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

2. Summary of significant accounting policies (continued):

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration:

The Organization maintains cash balances at two financial institutions. At June 30, 2013, cash balances did not exceed the insured amount.

Equipment, leasehold improvements and depreciation:

These assets are stated at cost and depreciated using straight-line and accelerated methods over the estimated useful lives of the assets, which for leasehold improvements includes the optional renewal periods.

Revenue recognition:

The Organization reports gifts of cash and other assets as restricted support if they are received with stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Subsequent events:

The Organization evaluated its June 30, 2013 financial statements for subsequent events through February 20, 2014, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

3. Line of credit:

The Organization has a \$75,000 line of credit which is renewable annually. It accrues interest at 3.25% and is secured by the assets of the Organization. There was no outstanding balance at June 30, 2013 and 2012.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

4. Retirement plan:

The Organization has a retirement plan which covers all employees (U.S.-based and international) meeting certain age and service requirements. Contributions to the plan are based on 8% of eligible compensation. Contributions totaled \$51,007 and \$48,399 for the years ended June 30, 2013 and 2012, respectively.

Retirement contributions for U.S.-based employees are funded currently to a qualified defined contribution retirement plan. Retirement contributions for international employees are held as restricted cash. Interest earned on these restricted funds accrue for the benefit of the international employees until the staff member terminates employment with Global Disciples. At that time, the employee's allocated share will be forwarded to the staff member.

5. Office rent:

Rent expense totaled \$37,702 and \$35,909 for the years ended June 30, 2013 and 2012, respectively.

The Organization rents office space under a lease agreement which calls for monthly payments of \$983. The monthly rental increases by 3% in August of each year. In addition to the monthly lease, the Organization is responsible for paying the taxes, insurance and maintenance of the building. The lease contains two five-year renewal options. In August 2010, the Organization exercised the first option renewing the lease for five years.

In August 2010, the Organization signed an agreement for additional office space. This agreement is a five-year lease, which calls for monthly payments of \$683 for the first year and will increase 3% in September of each subsequent year. This lease contains one five-year renewal option.

The future minimum lease payments under the lease agreements are as follows:

2014	\$ 21,774
2015	22,423
2016	2,644

GLOBAL DISCIPLES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

6. Temporarily restricted net assets:

Temporarily restricted net assets are available for the following purpose or time restriction:

	<u>2013</u>	<u>2012</u>
Staff support	\$ 21,536	\$ 23,282
Time	<u>103,655</u>	<u>38,883</u>
	<u>\$ 125,191</u>	<u>\$ 62,165</u>

7. Net assets released from restrictions:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or as a result of the expiration of time restrictions.

	<u>2013</u>	<u>2012</u>
Staff support	\$ 465,150	\$ 438,881
Time	38,883	54,070
Micro-Business Development	68,979	155,443
Leadership Development	3,466	69,233
GDT Alliance	<u>96,707</u>	<u>241,221</u>
	<u>\$ 673,185</u>	<u>\$ 958,848</u>

8. Related party transactions and balances:

The Organization has entered into an agreement with Global Disciples Foundation (the Foundation) which has a similar mission. The Organization made contributions to the Foundation totaling \$649,571 and \$468,305 for the years ended June 30, 2013 and 2012, respectively.

In 2013, the Organization received grants from the Foundation totaling \$995,342 of which \$50,000 is receivable from the Foundation as of June 30, 2012. In 2012, the Organization received grants from the Foundation totaling \$619,624 of which \$218,300 is receivable from the Foundation as of June 30, 2012.

GLOBAL DISCIPLES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2013 AND 2012

8. Related party transactions and balances (continued):

Certain members of the Organization's board members are also members of the Foundation's board of directors. In 2013 and 2012, the Organization held banquets at a facility that is owned by a board member. The total paid to the facility was \$14,132 and \$13,155, respectively.

9. Income taxes:

The Organization has been recognized as exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state statutes and files Form 990, *Return of Organization Exempt from Income Tax*, on an annual basis.

The Organization is currently open to audit under the statute of limitations by the Internal Revenue Service for the years ended June 30, 2010 through 2013.