

GLOBAL DISCIPLES

**YEARS ENDED
JUNE 30, 2017 AND 2016**



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, 2017 and 2016, 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, 2017 and 2016, 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 Steidman & Fritz

Lancaster, Pennsylvania
January 15, 2018

GLOBAL DISCIPLES

STATEMENTS OF FINANCIAL POSITION – JUNE 30, 2017 AND 2016

ASSETS

| | <u>2017</u> | <u>2016</u> |
|---|----------------------------|--------------------------|
| Cash | \$ 609,036 | \$ 585,024 |
| Receivables: | | |
| Contributions | 107,993 | 114,151 |
| Promise to give, current portion | 33,344 | 54,038 |
| Other | 5,230 | |
| Investments | 157,433 | |
| Prepaid expenses | <u>5,179</u> | <u>1,320</u> |
| | <u>918,215</u> | <u>754,533</u> |
| Equipment | 90,399 | 90,399 |
| Leasehold improvements | <u>84,837</u> | <u>84,837</u> |
| | 175,236 | 175,236 |
| Less accumulated depreciation | <u>131,786</u> | <u>108,800</u> |
| | <u>43,450</u> | <u>66,436</u> |
| Cash restricted for retirement of international employees | 73,391 | 43,123 |
| Promise to give, net of current portion | | 29,426 |
| Security deposit | <u>799</u> | <u>799</u> |
| | <u>74,190</u> | <u>73,348</u> |
| Total assets | <u><u>\$ 1,035,855</u></u> | <u><u>\$ 894,317</u></u> |

See notes to financial statements.

LIABILITIES AND NET ASSETS

| | 2017 | 2016 |
|----------------------------------|--------------|------------|
| Liabilities: | | |
| Accounts payable | \$ 51,949 | \$ 29,980 |
| Due to related party | 1,800 | 1,800 |
| Accrued expenses | 166,978 | 103,202 |
| Total liabilities | 220,727 | 134,982 |
| | | |
| Net assets: | | |
| Unrestricted: | | |
| Undesignated | 567,835 | 543,454 |
| Designated grant funds: | | |
| GDT Alliance Fund | 24,201 | 95,405 |
| Leadership Fund | | 291 |
| Generosity Fund | 33,812 | 36,721 |
| Temporarily restricted | 625,848 | 675,871 |
| | 189,280 | 83,464 |
| Total net assets | 815,128 | 759,335 |
| Total liabilities and net assets | \$ 1,035,855 | \$ 894,317 |

GLOBAL DISCIPLES
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016

| | 2017 | 2016 |
|--|-----------|-----------|
| Changes in unrestricted net assets: | | |
| Revenue and other support: | | |
| Contributions: | | |
| Grants | \$ 76,850 | \$ 83,661 |
| Other | 3,297,364 | 3,085,650 |
| Honorariums | 3,150 | 2,361 |
| Investment income | 1,737 | 222 |
| Special events | 760 | 145 |
| Total revenue and other support | 3,379,861 | 3,172,039 |
| Net assets released from restrictions | 825,431 | 766,189 |
| Total unrestricted revenue and other support | 4,205,292 | 3,938,228 |
| Expenses: | | |
| Program expenses: | | |
| Training and education | 3,212,205 | 2,045,003 |
| Network development | 300,824 | 963,242 |
| Total program expenses | 3,513,029 | 3,008,245 |
| Supporting services: | | |
| General and administrative | 409,861 | 327,517 |
| Fundraising | 332,425 | 372,181 |
| Total supporting expenses | 742,286 | 699,698 |
| Total expenses | 4,255,315 | 3,707,943 |

(continued)

GLOBAL DISCIPLES

STATEMENTS OF ACTIVITIES (CONTINUED)

YEARS ENDED JUNE 30, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------------|
| Change in unrestricted net assets | \$ (50,023) | \$ 230,285 |
| Changes in temporarily restricted net assets: | | |
| Contributions: | | |
| GDT Alliance | 233,285 | 148,995 |
| Micro-Business Development | 62,347 | 44,191 |
| Leadership Development | 116,866 | 66,801 |
| Staff support | 362,813 | 413,220 |
| Legacy Funds | 155,936 | |
| Net assets released from restrictions | <u>(825,431)</u> | <u>(766,189)</u> |
| Change in temporarily restricted net assets | <u>105,816</u> | <u>(92,982)</u> |
| Change in net assets | 55,793 | 137,303 |
| Net assets: | | |
| Beginning of year | <u>759,335</u> | <u>622,032</u> |
| End of year | <u>\$ 815,128</u> | <u>\$ 759,335</u> |

See notes to financial statements.

GLOBAL DISCIPLES

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|---|------------------|-----------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 55,793 | \$ 137,303 |
| Adjustments: | | |
| Depreciation | 22,986 | 15,983 |
| Unrealized gain on investments | (1,497) | |
| In-kind contribution received for furniture and equipment | | (3,175) |
| Change in: | | |
| Receivables: | | |
| Contributions | 6,158 | 88,903 |
| Promise to give | 50,120 | 75,854 |
| Other | (5,230) | |
| Prepaid expenses | (3,859) | 710 |
| Cash restricted for retirement of international employees | (30,268) | 3,572 |
| Accounts payable | 21,969 | 19,898 |
| Accrued expenses | 63,776 | (4,657) |
| Total adjustments | <u>124,155</u> | <u>197,088</u> |
| Net cash provided by operating activities | <u>179,948</u> | <u>334,391</u> |
| Cash flows from investing activities: | | |
| Purchase of equipment | | (28,107) |
| Purchase of investments | <u>(155,936)</u> | |
| Net cash used in investing activities | <u>(155,936)</u> | <u>(28,107)</u> |

(continued)

GLOBAL DISCIPLES

STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|---|-------------------|-------------------|
| Net increase in cash | \$ 24,012 | \$ 306,284 |
| Cash: | | |
| Beginning | <u>585,024</u> | <u>278,740</u> |
| Ending | <u>\$ 609,036</u> | <u>\$ 585,024</u> |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the year for interest, which is also interest expense | \$ 383 | \$ 3,186 |
| Noncash investing transactions: | | |
| In-kind contributions of property and equipment | | \$ 3,175 |

See notes to financial statements.

GLOBAL DISCIPLES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

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).

The board approved merging the operations of Global Disciples Foundation (the Foundation), a related entity, with the Organization effective January 1, 2017. The Foundation remains a separate organization with its own governing body, but the Foundation's operations are inactive as a result of the merger, and all employees of the Foundation are now considered employees of the Organization.

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 two funds discussed below receive a percentage of the 10% Funds:

The 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, 2017, 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, for micro-business development and for program leadership development, travel and mentoring.

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 and individuals closely affiliated with the Alliance.

GLOBAL DISCIPLES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2017 AND 2016

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.

Use of estimates:

The preparation of financial statements in accordance 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.

Promise to give:

The promise to give is stated at outstanding balance, less a discount to present value. The promise to give that is expected to be received in more than one year is discounted to present value using a risk adjusted rate of return. Any unpaid balance remaining after the stated payment terms is considered past due.

Foreign currency:

The statement of financial position reflects a foreign pledge receivable in the U.S. dollar equivalent using the rate of exchange at year-end. Contributions were recognized using the exchange rate at the pledge date. Subsequent gains and losses are calculated based on the exchange rate at fiscal year-end. The amount of foreign exchange gain (loss) included in the statement of activities for the years ended June 30, 2017 and 2016 was \$3,825 and \$(17,532), respectively.

GLOBAL DISCIPLES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2017 AND 2016

2. Summary of significant accounting policies (continued):

Investments:

Investments are carried at fair value. Investments in mutual funds with readily determinable fair values are valued at their quoted market price. Unrealized gains and losses are included in the change in unrestricted net assets.

Concentration:

Cash:

The Organization maintains cash balances at two financial institutions. At June 30, 2017, cash balances exceeded the Federal Deposit Insurance Corporation (FDIC) limit by \$438,646.

Promise to give:

The Organization received a promise to give in future years from one donor comprising 100% of the remaining amount outstanding at both June 30, 2017 and 2016.

Equipment, leasehold improvements and depreciation:

These assets are stated at cost, or fair value at date of donation, 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 has evaluated its June 30, 2017 financial statements for subsequent events through January 15, 2018, the date which the financial statements were available to be issued.

GLOBAL DISCIPLES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2017 AND 2016

3. Promise to give:

During the year ended June 30, 2015, the Organization received a promise to give based on a foreign currency. The promise to give adjusted for the foreign currency exchange rate at June 30, 2017 and 2016, respectively, is as follows:

| | <u>2017</u> | <u>2016</u> |
|---|------------------|------------------|
| Unconditional promise to give | \$ 34,470 | \$ 91,260 |
| Less unamortized present value discount | <u>1,126</u> | <u>7,796</u> |
| Net unconditional promise to give | <u>\$ 33,344</u> | <u>\$ 83,464</u> |

The promise to give at June 30, 2017 is discounted to present value using a risk adjusted rate of 11.49%. The \$33,344 promise to give at June 30, 2017 is expected to be received in fiscal year 2018.

4. 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, 2017 and 2016. In October 2017, the line of credit was increased to \$150,000, with the interest rate increasing to 4.25%.

5. Investments:

The Legacy Fund was opened during the fiscal year ended June 30, 2017. Global Disciples will withdraw 20% of the original year's contributions of \$155,936 plus any accrued interest, per year, for the next five years for the purpose of providing seed funds for Global Disciples to launch new training programs. Additional contributions to the funds will also be withdrawn at a rate of 20% per year plus any accrued interest.

GLOBAL DISCIPLES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2017 AND 2016

5. Investments (continued):

The following table represents the investments in the Legacy Fund held at June 30, 2017:

| | <u>Cost</u> | <u>Fair value</u> | <u>Unrealized appreciation (depreciation)</u> |
|---------------------------|-------------------|-----------------------|---|
| Fixed income mutual funds | \$ 95,032 | \$ 94,793 | \$ (239) |
| Equity mutual funds | 46,728 | 48,400 | 1,672 |
| Other | <u>14,176</u> | <u>14,240</u> | <u>64</u> |
| Total investments | <u>\$ 155,936</u> | <u>\$ 157,433</u> | <u>\$ 1,497</u> |

6. Fair value measurements:

The Organization follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP) and requires expanded disclosures about fair value measurements. FASB ASC 820 establishes a hierarchy that ranks the quality and reliability of inputs, or assumptions, used in the determination of fair value and requires financial assets carried at fair value to be classified and disclosed in one of the following three categories:

Level 1 – Quoted prices in active markets for identical assets

Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.). The Organization does not hold any Level 2 investments.

Level 3 – Significant unobservable inputs (including the Organization's own assumptions in determining the fair value of investments). The Organization does not hold any Level 3 investments.

All Organization investments are classified as Level 1 investments for the year ended June 30, 2017.

See Note 2 for a description of the valuation methodologies used for assets carried at fair value.

GLOBAL DISCIPLES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2017 AND 2016

7. 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 \$66,444 and \$51,200 for the years ended June 30, 2017 and 2016, 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.

8. Office rent:

Rent expense totaled \$43,255 and \$45,372 for the years ended June 30, 2017 and 2016, respectively.

The Organization rents office space under a lease agreement which calls for current monthly payments of \$1,174. 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 2015, the Organization exercised the second option renewing the lease for an additional five years.

In August 2010, the Organization signed an agreement for additional office space. This agreement is a five-year lease, which calls for current monthly payments of \$816. The monthly rental increases by 3% in September of each year. This lease contains one five-year renewal option. In September 2015, the Organization exercised the option to renew the lease for five years.

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

| | |
|-------|------------------|
| 2018 | \$ 24,506 |
| 2019 | 25,242 |
| 2020 | 26,010 |
| 2021 | <u>3,068</u> |
| Total | <u>\$ 78,826</u> |

GLOBAL DISCIPLES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2017 AND 2016

9. Temporarily restricted net assets:

Temporarily restricted net assets consist of the following:

| | <u>2017</u> | <u>2016</u> |
|---------------------|-------------------|------------------|
| Time restriction: | | |
| For Legacy Fund | \$ 155,936 | |
| For promise to give | <u>33,344</u> | <u>\$ 83,464</u> |
| | <u>\$ 189,280</u> | <u>\$ 83,464</u> |

10. 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>2017</u> | <u>2016</u> |
|--|-------------------|-------------------|
| Staff support | \$ 362,813 | \$ 430,348 |
| Time restriction expired for promise to give | 50,120 | 75,854 |
| Micro-Business Development | 62,347 | 44,191 |
| Leadership Development | 116,866 | 66,801 |
| GDT Alliance | <u>233,285</u> | <u>148,995</u> |
| | <u>\$ 825,431</u> | <u>\$ 766,189</u> |

11. Related party transactions and balances:

The Organization has entered into an agreement with Global Disciples Foundation (the Foundation) which has a similar mission. Certain members of the Organization's board are also members of the Foundation's board of directors. The Organization made contributions to the Foundation totaling \$240,629 and \$923,010 for the years ended June 30, 2017 and 2016, respectively.

GLOBAL DISCIPLES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2017 AND 2016

11. Related party transactions and balances (continued):

The Organization received grants from the Foundation totaling \$10,000 for the year ended June 30, 2016. The Organization did not receive any grants from the Foundation for the year ended June 30, 2017.

In 2017 and 2016, the Organization held banquets at a facility that is owned by a board member. The total paid to the facility was \$26,308 and \$15,979, respectively.

12. 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.