

GLOBAL DISCIPLES

**YEARS ENDED
JUNE 30, 2018 AND 2017**



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, 2018 and 2017, 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, 2018 and 2017, 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
December 28, 2018

GLOBAL DISCIPLES

STATEMENTS OF FINANCIAL POSITION – JUNE 30, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Cash	\$ 768,351	\$ 609,036
Receivables:		
Contributions	244,970	107,993
Promise to give, current portion		33,344
Other	10,193	5,230
Investments	566,734	157,433
Prepaid expenses	<u>3,330</u>	<u>5,179</u>
	<u>1,593,578</u>	<u>918,215</u>
Equipment	90,447	90,399
Leasehold improvements	<u>84,837</u>	<u>84,837</u>
	175,284	175,236
Less accumulated depreciation	<u>143,996</u>	<u>131,786</u>
	<u>31,288</u>	<u>43,450</u>
Cash restricted for retirement of international employees	20,993	73,391
Security deposit	<u>799</u>	<u>799</u>
	<u>21,792</u>	<u>74,190</u>
Total assets	<u><u>\$ 1,646,658</u></u>	<u><u>\$ 1,035,855</u></u>

See notes to financial statements.

LIABILITIES AND NET ASSETS

	2018	2017
Liabilities:		
Accounts payable	\$ 51,669	\$ 51,949
Due to related party		1,800
Accrued expenses	161,521	166,978
Total liabilities	213,190	220,727
Net assets:		
Unrestricted:		
Undesignated	1,023,170	567,835
Designated grant funds:		
GDT Alliance Fund		24,201
Generosity Fund	17,813	33,812
Temporarily restricted	1,040,983	625,848
	392,485	189,280
Total net assets	1,433,468	815,128
Total liabilities and net assets	\$ 1,646,658	\$ 1,035,855

GLOBAL DISCIPLES
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Changes in unrestricted net assets:		
Revenue and other support:		
Contributions:		
Grants	\$ 4,447	\$ 76,850
Other	4,849,041	3,297,364
Honorariums	6,861	3,150
Investment income	2,892	1,737
Special events		760
	4,863,241	3,379,861
Total revenue and other support		
	578,634	825,431
Net assets released from restrictions		
	5,441,875	4,205,292
Total unrestricted revenue and other support		
Expenses:		
Program expenses:		
Training and education	4,121,897	3,212,205
Network development	35,107	300,824
	4,157,004	3,513,029
Total program expenses		
Supporting services:		
General and administrative	370,899	409,861
Fundraising	498,837	332,425
	869,736	742,286
Total supporting expenses		
	5,026,740	4,255,315
Total expenses		

(continued)

GLOBAL DISCIPLES
STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Change in unrestricted net assets	<u>\$ 415,135</u>	<u>\$ (50,023)</u>
Changes in temporarily restricted net assets:		
Contributions:		
GDT Alliance	112,735	233,285
Micro-Business Development	3,117	62,347
Leadership Development	51,187	116,866
Staff support	339,800	362,813
Legacy Funds	275,000	155,936
Net assets released from restrictions	<u>(578,634)</u>	<u>(825,431)</u>
Change in temporarily restricted net assets	<u>203,205</u>	<u>105,816</u>
Change in net assets	618,340	55,793
Net assets:		
Beginning of year	<u>815,128</u>	<u>759,335</u>
End of year	<u><u>\$ 1,433,468</u></u>	<u><u>\$ 815,128</u></u>

See notes to financial statements.

GLOBAL DISCIPLES

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 618,340	\$ 55,793
Adjustments:		
Depreciation	16,406	22,986
Loss on disposal of equipment	319	
Unrealized (gain) loss on investments	2,770	(1,497)
Realized gain on investments	(1,209)	
Change in:		
Receivables:		
Contributions	(136,977)	6,158
Promise to give	33,344	50,120
Other	(4,963)	(5,230)
Prepaid expenses	1,849	(3,859)
Cash restricted for retirement of international employees	52,398	(30,268)
Accounts payable	(280)	21,969
Due to related party	(1,800)	
Accrued expenses	(5,457)	63,776
Total adjustments	<u>(43,600)</u>	<u>124,155</u>
Net cash provided by operating activities	<u>574,740</u>	<u>179,948</u>
Cash flows from investing activities:		
Purchase of equipment	(4,563)	
Proceeds from sale of investments	23,870	
Purchase of investments	<u>(434,732)</u>	<u>(155,936)</u>
Net cash used in investing activities	<u>(415,425)</u>	<u>(155,936)</u>

(continued)

GLOBAL DISCIPLES

STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Net increase in cash	\$ 159,315	\$ 24,012
Cash:		
Beginning	<u>609,036</u>	<u>585,024</u>
Ending	<u>\$ 768,351</u>	<u>\$ 609,036</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest, which is also interest expense	\$ 2,240	\$ 383

See notes to financial statements.

GLOBAL DISCIPLES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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, 2018, 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, 2018 AND 2017

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. The remainder of the promise to give was paid as of June 30, 2018.

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, 2018 and 2017 was \$(289) and \$3,825, respectively.

GLOBAL DISCIPLES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

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, 2018, cash balances exceeded the Federal Deposit Insurance Corporation (FDIC) limit by \$516,069.

Promise to give:

The Organization received a promise to give in future years from one donor comprising 100% of the remaining amount outstanding at June 30, 2017. There were no promises to give at June 30, 2018.

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.

GLOBAL DISCIPLES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

2. Summary of significant accounting policies (continued):

Recently issued accounting standards:

Revenue:

FASB ASU 2014-09, *Revenue from Contracts and Customers (Topic 606)*, with effective dates amended by FASB ASU 2015-14, is effective for the Organization's 2020 fiscal year end and identifies specific steps to be applied to properly recognize revenue from customer contracts. Under the standard, revenue recognition is determined using a five-step model which identifies customer contracts, identifies performance obligations in each contract, determines transaction price, allocates transaction price to performance obligations and recognizes revenue when or as the performance obligations are satisfied. The standard permits the use of either the retrospective or cumulative effect transition method. The Organization is evaluating the effect that ASU 2014-09 will have on the Organization's financial statements. The Organization has not yet selected a transition method, nor has it determined the effect of the standard on its ongoing financial reporting.

Leases:

FASB ASU 2016-02, *Leases*, is effective for the Organization's 2021 fiscal year end and requires that all leases with terms of more than 12 months be recognized as assets and liabilities on the balance sheet. Recognition of these lease assets and lease liabilities represents a change from previous generally accepted accounting principles (GAAP), which did not require lease assets and lease liabilities to be recognized for operating leases. Qualitative disclosures along with specific quantitative disclosures will be required to provide enough information to supplement the amounts recorded in the financial statements so that users can understand more about the nature of an entity's leasing activities.

The Organization will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that the Organization may elect to apply. At adoption, the Organization will recognize a right-of-use asset and a lease liability initially measured at the present value of its operating lease payments. The Organization is currently evaluating the impacts of adopting this guidance on its financial position, results of operations and cash flows.

GLOBAL DISCIPLES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

2. Summary of significant accounting policies (continued):

Recently issued accounting standards (continued):

Not-for-profit entities:

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which provides more relevant information about available resources (and the changes in those resources) to donors, grantors, creditors and other users. The most significant aspects of the ASU are as follows: (1) the ASU replaces the current presentation of three classes of net assets (unrestricted, temporarily restricted and permanently restricted) with two classes of net assets – net assets with donor restrictions and net assets without donor restrictions, as well as the currently required amount for total net assets, (2) the ASU expands the disclosures about the nature and amount of any donor restrictions, board designations of net assets without donor restrictions, as well as any underwater endowment funds, (3) the ASU requires expenses to be presented by nature and function, as well as an analysis of the allocation of these expenses and (4) the ASU requires specific quantitative and qualitative disclosures to improve the ability of financial statement users to assess the entity's available financial resources and the methods by which it manages liquidity and liquidity risk. ASU 2016-14 is to be applied retrospectively and is effective for years beginning after December 15, 2017. The Organization will be evaluating the impact this standard will have on its financial statements and related disclosures.

Subsequent events:

The Organization has evaluated its June 30, 2018 financial statements for subsequent events through December 28, 2018, the date which the financial statements were available to be issued.

GLOBAL DISCIPLES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

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 is as follows:

	<u>2017</u>
Unconditional promise to give	\$ 34,470
Less unamortized present value discount	<u>1,126</u>
Net unconditional promise to give	<u>\$ 33,344</u>

The \$33,344 promise to give at June 30, 2017 was received in fiscal year 2018. There were no promises to give as of June 30, 2018.

4. Line of credit:

The Organization has a \$150,000 line of credit which is renewable annually. It accrues interest at 4.25% and is secured by the assets of the Organization. There was no outstanding balance at June 30, 2018 and 2017.

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. The fair value of the Legacy Fund at June 30, 2018 and 2017 was \$236,845 and \$157,433, respectively. During the year ended June 30, 2018, contributions to the Legacy Fund were \$275,000 and withdrawals were \$38,451.

GLOBAL DISCIPLES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

5. Investments (continued):

The following table represents the investments held at June 30:

	2018		
	Cost	Fair value	Unrealized appreciation (depreciation)
Fixed income mutual funds	\$ 345,692	\$ 341,349	\$ (4,343)
Equity mutual funds	171,279	174,291	3,012
Other	52,533	51,094	(1,439)
Total investments	\$ 569,504	\$ 566,734	\$ (2,770)
	2017		
	Cost	Fair value	Unrealized appreciation (depreciation)
Fixed income mutual funds	\$ 95,032	\$ 94,793	\$ (239)
Equity mutual funds	46,728	48,400	1,672
Other	14,176	14,240	64
Total investments	\$ 155,936	\$ 157,433	\$ 1,497

GLOBAL DISCIPLES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

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 years ended June 30, 2018 and 2017.

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

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 \$119,781 and \$66,444 for the years ended June 30, 2018 and 2017, 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.

GLOBAL DISCIPLES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

8. Office rent:

Rent expense totaled \$43,211 and \$43,255 for the years ended June 30, 2018 and 2017, respectively.

The Organization rents office space under a lease agreement which calls for current monthly payments of \$1,209. 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 \$840. 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:

2019	\$ 25,242
2020	26,010
2021	<u>3,068</u>
Total	<u>\$ 54,320</u>

9. Temporarily restricted net assets:

Temporarily restricted net assets consist of the following:

	<u>2018</u>	<u>2017</u>
Time restriction:		
For Legacy Fund	\$ 392,485	\$ 155,936
For promise to give		<u>33,344</u>
	<u>\$ 392,485</u>	<u>\$ 189,280</u>

GLOBAL DISCIPLES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

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>2018</u>	<u>2017</u>
Staff support	\$ 339,800	\$ 362,813
Time restriction expired for promise to give	33,344	50,120
Time restriction expired for Legacy Funds	38,451	
Micro-Business development	3,117	62,347
Leadership development	51,187	116,866
GDT Alliance	<u>112,735</u>	<u>233,285</u>
	<u>\$ 578,634</u>	<u>\$ 825,431</u>

11. Related party transactions and balances:

The Organization has entered into an agreement with Global Disciples 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 for the year ended June 30, 2017. The Organization did not make contributions to the Foundation for the year ended June 30, 2018.

In 2018 and 2017, the Organization held banquets at a facility that is owned by a board member. The total paid to the facility was \$18,476 and \$26,308, 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.

13. Concentrations:

For the years ended June 30, 2018 and 2017, one contributor accounted for 29% and 13% of the Organization's total revenues, respectively.

As of June 30, 2018 and 2017, two contributors accounted for 51% and 29% of the Organization's total contributions receivable, respectively.