

**GLOBAL SCHOLARS AND AFFILIATE  
CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2014  
With  
Independent Auditors' Report**

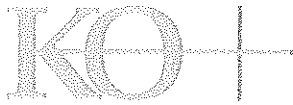
# GLOBAL SCHOLARS AND AFFILIATE

## CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2014

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# Keller & Owens, LLC

*Certified Public Accountants*

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
**Global Scholars and Affiliate**

We have audited the accompanying consolidated financial statements of **Global Scholars and Affiliate** (the "Organization") (a Kansas corporation), which comprise the consolidated statement of financial position as of June 30, 2014 and the related consolidated statements of activities 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 consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

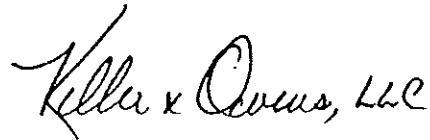
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Global Scholars and Affiliate** as of June 30, 2014, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited the Organization's consolidated financial statements, and our report dated December 5, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative financial information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Keller & Owens, LLC".

Overland Park, Kansas  
December 9, 2014

# GLOBAL SCHOLARS AND AFFILIATE

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2014

(With comparative totals as of June 30, 2013)

### ASSETS

	<u>2014</u>	<u>2013</u>
Cash and Cash Equivalents	\$ 876,299	\$ 1,056,882
Receivables:		
Pledges, less allowance for doubtful pledges	-	3,875
Other	120	3,454
Prepaid Expenses	16,314	28,646
Inventory	3,736	3,736
Restricted Cash Held for College Allowance Fund	40,904	42,522
Restricted Cash Held for Building Fund	59,513	59,513
Furniture and Equipment, less accumulated depreciation of \$178,761 in 2014 and \$170,819 in 2013	9,970	9,995
Other Assets	<u>5,138</u>	<u>5,275</u>
 Total Assets	 <u>\$ 1,011,994</u>	 <u>\$ 1,213,898</u>

*See accompanying notes*

## GLOBAL SCHOLARS AND AFFILIATE

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued) June 30, 2014

(With comparative totals as of June 30, 2013)

#### LIABILITIES AND NET ASSETS

	<u>2014</u>	<u>2013</u>
Accounts Payable	\$ 45,684	\$ 103,572
Accrued Expenses	28,979	42,396
Liability for College Allowance Fund	<u>40,904</u>	<u>42,522</u>
 Total Liabilities	 115,567	 188,490
 Net Assets:		
Temporarily restricted	136,362	135,851
Unrestricted:		
Net investment in equipment	9,970	9,995
Board designated	428,735	324,949
Undesignated	<u>321,360</u>	<u>554,613</u>
Total Unrestricted Net Assets	<u>760,065</u>	<u>889,557</u>
 Total Net Assets	 <u>896,427</u>	 <u>1,025,408</u>
 Total Liabilities and Net Assets	 <u>\$ 1,011,994</u>	 <u>\$ 1,213,898</u>

*See accompanying notes*

# GLOBAL SCHOLARS AND AFFILIATE

## CONSOLIDATED STATEMENT OF ACTIVITIES Year Ended June 30, 2014

(With comparative totals for the year ended June 30, 2013)

	2014		2013 Total
	Unrestricted	Temporarily Restricted	
Revenues:			
Contributions	\$ 1,885,835	\$ 36,200	\$ 1,922,035
Gifts-in-kind	963,305	-	963,305
Vision Conference	47,888	-	47,888
Administrative fees	3,300	-	3,300
Interest income	668	-	668
Other income	960	-	960
Net assets released from restrictions	35,689	(35,689)	-
Total Revenues	2,937,645	511	2,938,156
Expenses:			
Program	2,402,768	-	2,402,768
Management and general	387,313	-	387,313
Fund-raising	277,056	-	277,056
Total Expenses	3,067,137	-	3,067,137
Change in Net Assets	(129,492)	511	(128,981)
Net Assets, Beginning of Year	889,557	135,851	1,025,408
Net Assets, End of Year	\$ 760,065	\$ 136,362	\$ 896,427
			\$ 1,025,408

See accompanying notes

## GLOBAL SCHOLARS AND AFFILIATE

### CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2014

(With comparative totals for the year ended June 30, 2013)

	2014	2013
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (128,981)	\$ 86,401
Adjustments to Reconcile Change in Net Assets To Net Cash (Used) Provided by Operating Activities:		
Depreciation	7,830	7,502
Change in:		
Pledges receivable, net	3,875	19,601
Other receivables, deposits and advances	3,471	(3,117)
Prepaid expenses	12,332	(21,206)
Accounts payable	(57,888)	72,302
Accrued expenses	(13,417)	(22,233)
Net Cash (Used) Provided by Operating Activities	(172,778)	139,250
Cash Flows from Investing Activities:		
Purchases of furniture and equipment	(7,805)	(3,657)
Net Cash Used by Investing Activities	(7,805)	(3,657)
Net (Decrease) Increase in Cash and Cash Equivalents	(180,583)	135,593
Cash and Cash Equivalents, Beginning of Year	1,056,882	921,289
Cash and Cash Equivalents, End of Year	\$ 876,299	\$ 1,056,882

*See accompanying notes*



# GLOBAL SCHOLARS AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2014

### 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

**Organization – Global Scholars** (the "Scholars") was formed in 1986 with its sole program being to disciple and train leaders by teaching Christian studies in leading universities in every country around the world. The Scholars assists universities primarily by providing professors and resources in Christian studies and a broad range of other disciplines, and by establishing Departments of Christian Studies and other related programs. The Scholars operates from an administrative office in Overland Park, Kansas. The Scholars operates under the pseudonym of International Center for Christian Education in the Country of Nigeria.

**Organization - Cooperative Studies, Inc.** (the "Affiliate") was formed in 2001 as a not-for-profit organization to improve the quality of leadership worldwide by placing faculty with academic and moral excellence at targeted universities.

**Basis of Presentation** - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-210, which requires the Organization to report information regarding its financial position and activities according to three classes of net assets:

*Unrestricted net assets* - include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Organization. Board-designated net assets represent amounts the Organization has set aside for a specific purpose.

*Temporarily restricted net assets* - consist of donor-restricted contributions. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as temporarily restricted revenue, when received, and such unexpended amounts are reported as temporarily restricted net assets at year-end. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as "net assets released from restrictions."

*Permanently restricted net assets* – consist of donor-restricted contributions, which are required to be held in perpetuity. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations. The Organization had no permanently restricted net assets as of June 30, 2014 and 2013.

**Cash and Cash Equivalents** – For the purpose of the consolidated statement of cash flows, the Organization considers cash management and highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Restricted cash held for college allowance fund is not considered a cash equivalent due to withdrawal restrictions.

# GLOBAL SCHOLARS AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2014

### 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

**Comparative Financial Information** – The financial statements include certain prior year summarized comparative information in total, but not by net asset category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2013 from which the summarized information was derived.

**Concentrations of Credit Risk** - The Organization maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times. The Organization has not experienced any losses in these accounts in the past, and management believes the Organization is not exposed to significant credit risks as they periodically evaluate the strength of the financial institutions in which it deposits funds.

**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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**Functional Allocation of Expenses** - The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited according to formulas developed by management to appropriately reflect actual costs and efforts expended on each program or supporting service.

**Furniture and Equipment** - Furniture and equipment is recorded at cost or, if donated, at estimated fair value at the date of gift. Donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. The Organization follows the practice of capitalizing all expenditures for equipment with an extended life in excess of \$1,000. These assets are depreciated on the straight-line method over their estimated useful lives, ranging from three to seven years.

# GLOBAL SCHOLARS AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2014

### 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

**Gifts-in-Kind** – The Organization recognizes the fair value of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of contributed time not meeting the criteria outlined above is not reflected in these consolidated financial statements. Donated stock and professor services are reflected at their estimated values at date of receipt, summarized below for the years ended June 30, 2014 and 2013, respectively.

	<u>2014</u>	<u>2013</u>
Donated services	\$ 938,432	\$ 1,138,366
Stock	<u>24,873</u>	<u>31,016</u>
Total Gifts-in-Kind	<u>\$ 963,305</u>	<u>\$ 1,169,382</u>

**Income Taxes** - The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except for taxes on unrelated business income, if any. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1). Among other things, the Organization is exempt from income, FUTA, and state and local real estate taxes.

The Organization's policy with regard to FASB ASC 740-10 is to record a liability for any tax position that is beneficial to the Organization, including any related interest and penalties, when it is more likely than not the position taken by management with respect to the transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of June 30, 2014 and, accordingly, no liability has been accrued. However, the Organization's returns are subject to examination by the Internal Revenue Service generally for three years after they were filed.

**Inventory** – Inventory consists primarily of books and is stated at the lower of cost or market value using the first-in, first-out method.

**Pledges Receivable** - Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions upon which they depend are substantially met. Unconditional promises to give, due in the next year, are recorded at their realizable value. Unconditional promises to give, due in subsequent years, are reported at the present value of their net realizable value.

# GLOBAL SCHOLARS AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2014

### 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Pledges receivable are for pledges that are due within one to five years, and are stated at the pledge amount. The allowance for uncollectible pledges is based on management's assessment of the collectability of specific donors' pledges and the aging of pledges receivable. All pledges or portions thereof, deemed to be uncollectible, are written off to the allowance for uncollectible pledges. As of June 30, 2014 and 2013, the allowance of uncollectible pledges was \$18,955 and 22,055, respectively.

**Principles of Consolidation** – The consolidated financial statements include the accounts of the Scholars and the Affiliate. All material inter-organization transactions have been eliminated. The Scholars and the Affiliate are affiliated through the common majority voting interest in the Boards of Directors and the significant economic interest which exists between the entities.

**Reclassifications** – Certain reclassifications have been made to the prior year consolidated financial statements in order for them to be in conformity with the current year presentation. These reclassifications had no effect on previously reported change in net assets.

**Subsequent Events** – Management has evaluated events and transactions that have occurred since June 30, 2014 and reflected their effects, if any, in these financial statements through December 9, 2014, the date the financial statements were available to be issued.

### 2. PLEDGES RECEIVABLE

Unconditional promises to give are summarized as follows:

	<u>2014</u>	<u>2013</u>
Total pledges receivable	\$ 18,955	\$ 25,930
Less: allowance for uncollectible pledges	<u>18,955</u>	<u>22,055</u>
Net Pledges Receivable	<u>\$ -</u>	<u>\$ 3,875</u>

All pledges are due within one year or less.

## GLOBAL SCHOLARS AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2014

#### 3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30:

	2014	2013
AIDS Projects	\$ 3,234	\$ 3,234
Beneficial interest in Community Foundation	2,500	2,500
Building Fund	59,513	59,513
Christian Religious Knowledge	24,055	34,409
Cornerstone Grant	-	131
Global Partnership Fund	4,240	4,240
Leadership Development Fund	25,947	14,747
Memorial Fund	313	313
Global Scholars Scholarship Fund	450	450
Strategic Opportunities Fund	10,483	10,483
Tyndale Grant	5,627	5,831
Total Temporarily Restricted Net Assets	\$ 136,362	\$ 135,851

#### 4. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes and are categorized as follows:

Building Fund	\$ -	\$ 50
Christian Religious Knowledge	10,354	2,081
Cornerstone Grant	131	1,549
Development Director	25,000	90,070
Tyndale Grant	204	6,169
Total Net Assets Released from Restrictions	\$ 35,689	\$ 99,919

## GLOBAL SCHOLARS AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2014

#### 5. BOARD DESIGNATED NET ASSETS

Board designated net assets are available for the following purposes at June 30:

	<u>2014</u>	<u>2013</u>
Africa and related professors	\$ 75,547	\$ 29,937
Southeast Asia and related professors	2,200	7,947
Canada	1,326	1,326
Central Asia and related professors	19,118	18,851
China and related professors	24,811	40,696
Creative Access - General and North Korea	4,623	4,623
Europe and related professors	164,964	81,515
Expansion/International Relations	7,644	7,644
Mideast fund	8,506	8,506
South America and related professors	9,905	4,196
Other professors not assigned	<u>110,091</u>	<u>119,708</u>
Total Board Designated Net Assets	<u>\$ 428,735</u>	<u>\$ 324,949</u>

#### 6. EMPLOYEE BENEFITS

The Organization established a retirement plan under Internal Revenue Code Section 403(b), effective July 1, 2001. The Plan covers all employees who meet certain service requirements. The Organization will match employee contributions up to 5% of compensation each year, subject to IRC limitations. For the years ended June 30, 2014 and 2013, respectively, the Organization contributed \$29,344 and \$30,748 to the retirement plan.

The Organization has established a College Allowance Fund to assist in the education of children of overseas personnel. Eligible overseas personnel can contribute a portion of their salary with the Organization matching up to 2% of their salary. For the years ended June 30, 2014 and 2013, the Organization contributed \$1,222 and \$1,000 respectively, to this College Allowance Fund. The cash held in this fund is restricted for use in satisfying the offsetting liability for the fund. In addition to the College Allowance Fund, the Organization paid during fiscal 2014 and 2013, respectively, \$23,467 and \$22,776 of college tuition for the children of employees and \$19,744 and \$12,795 in educational loan repayment to employees.

## GLOBAL SCHOLARS AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2014

#### 7. JOINT COSTS

The Organization incurred joint costs for informational materials and activities that included fund-raising appeals. These joint costs were allocated as follows:

	Vision Conference and Retreats	Newsletter and Mailings	Website	Total
2014				
Program	\$ 43,932	\$ 7,851	\$ 5,043	\$ 56,826
Management and general	1,279	23,830	11,695	36,804
Fund-raising	4,333	32,843	7,958	45,134
Total Joint Costs	\$ 49,544	\$ 64,524	\$ 24,696	\$ 138,764
2013				
Program	\$ 18,896	\$ 17,288	\$ 13,093	\$ 49,277
Management and general	1,441	4,198	5,732	11,371
Fund-raising	10,637	9,170	6,246	26,053
Total Joint Costs	\$ 30,974	\$ 30,656	\$ 25,071	\$ 86,701

#### 8. LEASE COMMITMENTS

The Organization entered into a lease for office space, classified as an operating lease. Rent expense for the years ended June 30, 2014 and 2013 was \$31,987. The future minimum lease payments under the operating lease is as follows:

Years Ending June 30,	
2015	\$ 31,987
2016	7,997
Total Minimum Lease Payments	\$ 39,984

#### 9. RELATED PARTY TRANSACTIONS

Included in the accounts payable balance as of June 30, 2014 and 2013, were \$20,382 and \$75,020 payable to employees for reimbursement of expenses, respectively.

#### 10. SUBSEQUENT EVENTS

In September and December 2014, the Organization received a \$100,000 and \$50,000 unrestricted donation, respectively, from two different, third party donors.