

**GLOBAL SCHOLARS AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2015
With
Independent Auditors' Report**

GLOBAL SCHOLARS AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

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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, 2015 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.

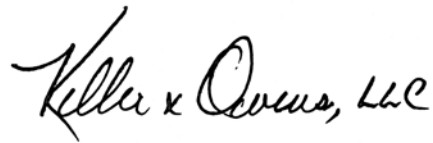
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2015, 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 we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 9, 2014. In our opinion, the summarized comparative financial information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Keller & Owens, LLC". The signature is written in black ink and is positioned to the right of the date and location text.

Overland Park, Kansas
January 6, 2016

GLOBAL SCHOLARS AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION June 30, 2015

(With comparative totals as of June 30, 2014)

ASSETS

	<u>2015</u>	<u>2014</u>
Cash and Cash Equivalents	\$ 806,589	\$ 876,299
Investments, fair value	11,963	-
Receivables - other	9,558	120
Prepaid Expenses	30,659	16,314
Inventory	3,736	3,736
Restricted Cash Held for College Allowance Fund	44,682	40,904
Restricted Cash Held for Building Fund	59,513	59,513
Furniture and Equipment, less accumulated depreciation of \$180,103 in 2015 and \$178,761 in 2014	7,820	9,970
Other Assets	<u>-</u>	<u>5,138</u>
Total Assets	<u>\$ 974,520</u>	<u>\$ 1,011,994</u>

See accompanying notes

GLOBAL SCHOLARS AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued) June 30, 2015

(With comparative totals as of June 30, 2014)

LIABILITIES AND NET ASSETS

	<u>2015</u>	<u>2014</u>
Liabilities:		
Accounts Payable	\$ 48,374	\$ 45,684
Accrued Expenses	45,410	28,979
Liability for College Allowance Fund	<u>44,682</u>	<u>40,904</u>
Total Liabilities	138,466	115,567
Net Assets:		
Temporarily restricted	144,049	136,362
Unrestricted:		
Net investment in equipment	7,820	9,970
Board designated	391,974	428,735
Undesignated	<u>292,211</u>	<u>321,360</u>
Total Unrestricted Net Assets	<u>692,005</u>	<u>760,065</u>
Total Net Assets	<u>836,054</u>	<u>896,427</u>
Total Liabilities and Net Assets	<u>\$ 974,520</u>	<u>\$ 1,011,994</u>

See accompanying notes

GLOBAL SCHOLARS AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES Year Ended June 30, 2015

(With comparative totals for the year ended June 30, 2014)

	2015			2014 Total
	Unrestricted	Temporarily Restricted	Total	
Revenues:				
Contributions	\$ 1,932,058	\$ 8,000	\$ 1,940,058	\$ 1,922,035
Gifts-in-kind	1,673,992	-	1,673,992	963,305
Vision Conference	-	-	-	47,888
Administrative fees	5,061	-	5,061	3,300
Interest income	507	-	507	668
Other income	325	-	325	960
Net assets released from restrictions	313	(313)	-	-
Total Revenues	3,612,256	7,687	3,619,943	2,938,156
Expenses:				
Program	3,053,129	-	3,053,129	2,402,768
Management and general	427,506	-	427,506	387,313
Fund-raising	199,681	-	199,681	277,056
Total Expenses	3,680,316	-	3,680,316	3,067,137
Change in Net Assets	(68,060)	7,687	(60,373)	(128,981)
Net Assets, Beginning of Year	760,065	136,362	896,427	1,025,408
Net Assets, End of Year	\$ 692,005	\$ 144,049	\$ 836,054	\$ 896,427

See accompanying notes

GLOBAL SCHOLARS AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS Year Ended June 30, 2015

(With comparative totals for the year ended June 30, 2014)

	2015	2014
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (60,373)	\$ (128,981)
Adjustments to Reconcile Change in Net Assets To Net Cash Used by Operating Activities:		
Depreciation	5,165	7,830
In-kind stock donations	(17,057)	(24,873)
(Increase) decrease in:		
Pledges receivable, net	-	3,875
Other receivables, deposits and advances	(4,300)	3,471
Prepaid expenses	(18,123)	12,332
Increase (decrease) in:		
Accounts payable	6,468	(57,888)
Accrued expenses	16,431	(13,417)
	(71,789)	(197,651)
Net Cash Used by Operating Activities	(71,789)	(197,651)
Cash Flows from Investing Activities:		
Purchases of furniture and equipment	(3,015)	(7,805)
Proceeds from sale of investments	5,094	24,873
	2,079	17,068
Net Cash Provided by Investing Activities	2,079	17,068
Net Decrease in Cash and Cash Equivalents	(69,710)	(180,583)
Cash and Cash Equivalents, Beginning of Year	876,299	1,056,882
Cash and Cash Equivalents, End of Year	\$ 806,589	\$ 876,299

See accompanying notes

GLOBAL SCHOLARS AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

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, 2015 and 2014.

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 the college allowance fund is not considered a cash equivalent due to withdrawal restrictions.

GLOBAL SCHOLARS AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

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, 2014 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 revenue, 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 categories 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. Expenditures for major renewals and betterments in excess of \$1,000 and that extend the useful life of assets are capitalized. 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, 2015

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. Professor services are reflected at their estimated values at date of receipt, summarized below for the years ended June 30, 2015 and 2014, respectively.

	<u>2015</u>	<u>2014</u>
Donated services	\$ 1,656,935	\$ 938,432
Stock	<u>17,057</u>	<u>24,873</u>
Total Gifts-in-Kind	<u>\$ 1,673,992</u>	<u>\$ 963,305</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, 2015 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 are 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.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

GLOBAL SCHOLARS AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2015 and 2014, the allowance of uncollectible pledges was \$12,065 and 18,955, 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.

Subsequent Events – Management has evaluated events and transactions that have occurred since June 30, 2015 and reflected their effects, if any, in these financial statements through January 6, 2016, the date the financial statements were available to be issued.

2. PLEDGES RECEIVABLE

Unconditional promises to give are summarized as follows:

	<u>2015</u>	<u>2014</u>
Total pledges receivable	\$ 12,065	\$ 18,955
Less: allowance for uncollectible pledges	<u>12,065</u>	<u>18,955</u>
Net Pledges Receivable	<u>\$ -</u>	<u>\$ -</u>

All pledges are due within one year or less.

GLOBAL SCHOLARS AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

3. INVESTMENTS

Investments are carried at their fair value and consist of the following at June 30, 2015 and 2014:

	2015	2014
Mutual funds - equity	\$ <u>11,963</u>	\$ _____
Total Investments	\$ <u>11,963</u>	\$ _____

Investment return consisted of the following for the years ended June 30, 2015 and 2014:

Net realized and unrealized gains	\$ <u>109</u>	\$ _____
Total Investment Return	\$ <u>109</u>	\$ _____

4. FAIR VALUE MEASUREMENTS

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three-tier hierarchy of inputs is summarized in the three broad levels below:

- Level 1 - inputs are unadjusted quoted market prices in active independent markets for identical assets and liabilities;
- Level 2 - inputs are directly or indirectly observable estimates from quotes for similar but not identical assets and liabilities, market trades for identical assets not actively traded or other external independent means;
- Level 3 - inputs are unobservable and reflect assumptions on the part of the reporting entity.

The following table sets forth information about the levels within the fair value hierarchy at which the Organization's financial assets and liabilities are measured on a recurring basis at June 30, 2015. There were no investments as of June 30, 2014.

June 30, 2015	Level 1	Level 2	Level 3	Total
Mutual funds:				
Equity	\$ <u>11,963</u>	\$ _____	\$ _____	\$ <u>11,963</u>
Total	\$ <u>11,963</u>	\$ _____	\$ _____	\$ <u>11,963</u>

GLOBAL SCHOLARS AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

5. TEMPORARILY RESTRICTED NET ASSETS

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

	2015	2014
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	24,055
Global Partnership Fund	4,240	4,240
Leadership Development Fund	25,947	25,947
Memorial Fund	-	313
Scholarship Fund	450	450
Strategic Opportunities Fund	10,483	10,483
Tyndale Grant	5,627	5,627
IT Development Fund	8,000	-
Total Temporarily Restricted Net Assets	\$ 144,049	\$ 136,362

6. NET ASSETS RELEASED FROM RESTRICTIONS

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

Christian Religious Knowledge	\$ -	\$ 10,354
Cornerstone Grant	-	131
Development Director	-	25,000
Tyndale Grant	-	204
Memorial Fund	313	-
Total Net Assets Released from Restrictions	\$ 313	\$ 35,689

GLOBAL SCHOLARS AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

7. BOARD DESIGNATED NET ASSETS

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

	<u>2015</u>	<u>2014</u>
Africa and related professors	\$ 77,265	\$ 75,547
Southeast Asia and related professors	-	2,200
Canada	1,326	1,326
Central Asia and related professors	8,201	19,118
China and related professors	17,727	24,811
Creative Access - General and North Korea	4,623	4,623
Europe and related professors	143,990	164,964
Expansion/International Relations	7,644	7,644
Mideast fund	8,506	8,506
South America and related professors	13,472	9,905
Other professors not assigned	<u>109,220</u>	<u>110,091</u>
Total Board Designated Net Assets	<u>\$ 391,974</u>	<u>\$ 428,735</u>

8. 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, 2015 and 2014, respectively, the Organization contributed \$34,177 and \$29,344 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, 2015 and 2014, the Organization contributed \$1,516 and \$1,222 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 2015 and 2014, respectively, \$23,174 and \$23,467 of college tuition for the children of employees and \$25,853 and \$19,744 in educational loan repayment to employees.

GLOBAL SCHOLARS AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

9. JOINT COSTS

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

	<u>Vision Conference and Retreats</u>	<u>Newsletter and Mailings</u>	<u>Website</u>	<u>Total</u>
<u>2015</u>				
Program	\$ 3,450	\$ 7,996	\$ 10,496	\$ 21,942
Management and general	20,514	6,587	21,983	49,084
Fund-raising	<u>-</u>	<u>5,588</u>	<u>1,259</u>	<u>6,847</u>
Total Joint Costs	<u>\$ 23,964</u>	<u>\$ 20,171</u>	<u>\$ 33,738</u>	<u>\$ 77,873</u>
<u>2014</u>				
Program	\$ 43,932	\$ 7,851	\$ 5,043	\$ 56,826
Management and general	1,279	23,830	11,695	36,804
Fund-raising	<u>4,333</u>	<u>32,843</u>	<u>7,958</u>	<u>45,134</u>
Total Joint Costs	<u>\$ 49,544</u>	<u>\$ 64,524</u>	<u>\$ 24,696</u>	<u>\$ 138,764</u>

10. LEASE COMMITMENTS

The Organization entered into a lease for office space with an unrelated third party, classified as an operating lease. Rent expense for the years ended June 30, 2015 and 2014 was \$34,569 and \$31,987, respectively. The future minimum lease payments under the operating lease are as follows:

<u>Years Ending June 30,</u>	
2016	\$ <u>26,656</u>
Total Minimum Lease Payments	\$ <u>26,656</u>

GLOBAL SCHOLARS AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

11. SUBSEQUENT EVENT

The Organization entered into a lease for office space with an unrelated third party, classified as an operating lease, on November 24, 2015. The lease commences on March 1, 2016 and has a three year term. The future minimum lease payments under the operating lease are as follows:

<u>Years Ending June 30,</u>	
2016	\$ 7,180
2017	21,540
2018	21,540
2019	<u>14,360</u>
Total Minimum Lease Payments	<u>\$ 64,620</u>