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***GLOBAL SCHOLARS AND AFFILIATE***  
***CONSOLIDATED FINANCIAL STATEMENTS***  
***JUNE 30, 2019***

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## Independent Auditors' Report

Board of Directors  
Global Scholars and Affiliate  
Olathe, Kansas

### Report On The Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Global Scholars and Affiliate, which comprise the consolidated statement of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility For The Consolidated 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 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 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 auditor considers internal control relevant to the entity'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 entity'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, 2019 and 2018, 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.

*RubinBrown LLP*

September 19, 2019

**GLOBAL SCHOLARS AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Assets	
	June 30,	
	2019	2018
<b>Current Assets</b>		
Cash and cash equivalents	\$ 629,987	\$ 578,941
Investments, fair value	43,790	88,394
Prepaid expenses	31,598	19,185
<b>Total Current Assets</b>	<b>705,375</b>	<b>686,520</b>
<b>Furniture And Equipment, Less Accumulated Depreciation</b> Of \$25,412 In 2019 And \$25,987 In 2018	2,354	3,692
<b>Cash Reserved For College Allowance Fund</b>	<b>25,017</b>	<b>30,923</b>
<b>Cash Restricted For Donor Specified Purposes</b>	<b>26,221</b>	<b>62,299</b>
<b>Total Assets</b>	<b>\$ 758,967</b>	<b>\$ 783,434</b>
<b>Liabilities And Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 23,729	\$ 17,431
Accrued expenses	65,358	66,597
Deferred revenue	4,658	9,800
<b>Total Current Liabilities</b>	<b>93,745</b>	<b>93,828</b>
<b>Liability For College Allowance Fund</b>	<b>25,017</b>	<b>30,923</b>
<b>Net Assets</b>		
With donor restrictions	26,221	62,299
Without donor restrictions:		
Net investment in equipment	2,354	3,692
Board designated	349,847	458,273
Undesignated	261,783	134,419
<b>Total Net Assets</b>	<b>640,205</b>	<b>658,683</b>
<b>Total Liabilities And Net Assets</b>	<b>\$ 758,967</b>	<b>\$ 783,434</b>

**GLOBAL SCHOLARS AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF ACTIVITIES AND**  
**CHANGES IN NET ASSETS**  
**For The Years Ended June 30, 2019 And 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains And Other Support</b>						
Contributions:						
Contributions and bequests	\$ 1,879,905	\$ 7,030	\$ 1,886,935	\$ 1,845,875	\$ 55,000	\$ 1,900,875
In-kind contributions	2,766,643	—	2,766,643	2,653,533	—	2,653,533
Administrative fees	3,225	—	3,225	4,300	—	4,300
Special events	9,800	—	9,800	44,551	—	44,551
Investment income	5,620	—	5,620	18,789	—	18,789
Net assets released from restrictions	43,108	(43,108)	—	27,803	(27,803)	—
<b>Total Revenues, Gains And Other Support</b>	<b>4,708,301</b>	<b>(36,078)</b>	<b>4,672,223</b>	<b>4,594,851</b>	<b>27,197</b>	<b>4,622,048</b>
<b>Expenses</b>						
Program	4,267,020	—	4,267,020	4,173,142	—	4,173,142
Management and general	293,778	—	293,778	362,307	—	362,307
Fundraising	129,903	—	129,903	229,862	—	229,862
<b>Total Expenses</b>	<b>4,690,701</b>	<b>—</b>	<b>4,690,701</b>	<b>4,765,311</b>	<b>—</b>	<b>4,765,311</b>
<b>Increase (Decrease) In Net Assets</b>	<b>17,600</b>	<b>(36,078)</b>	<b>(18,478)</b>	<b>(170,460)</b>	<b>27,197</b>	<b>(143,263)</b>
<b>Net Assets - Beginning Of Year</b>	<b>596,384</b>	<b>62,299</b>	<b>658,683</b>	<b>766,844</b>	<b>35,102</b>	<b>801,946</b>
<b>Net Assets - End Of Year</b>	<b>\$ 613,984</b>	<b>\$ 26,221</b>	<b>\$ 640,205</b>	<b>\$ 596,384</b>	<b>\$ 62,299</b>	<b>\$ 658,683</b>

See the notes to consolidated financial statements.

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**GLOBAL SCHOLARS AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

	For The Years Ended June 30,	
	2019	2018
<b>Cash Flows From Operating Activities</b>		
Decrease in net assets	\$ (18,478)	\$ (143,263)
Adjustments to reconcile the decrease in net assets to net cash used in operating activities:		
Depreciation	1,338	2,727
Realized and unrealized (gain) loss on investment	220	(14,317)
Changes in assets and liabilities:		
Promises to give, net	—	6,915
Prepaid expenses	(12,413)	22,293
Accounts payable	6,298	13,319
Accrued expenses and college allowance fund	(7,145)	(15,806)
Deferred revenue	(5,142)	(27,903)
<b>Net Cash Used In Operating Activities</b>	<b>(35,322)</b>	<b>(156,035)</b>
<b>Net Cash Provided By Investing Activities</b>		
Proceeds from sale of investments	44,384	11,491
<b>Net Increase (Decrease) In Cash And Cash Equivalents</b>	<b>9,062</b>	<b>(144,544)</b>
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>672,163</b>	<b>816,707</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 681,225</b>	<b>\$ 672,163</b>
<b>Cash And Cash Equivalents Are Included Within The Following Captions On The Statement Of Financial Position</b>		
Cash and cash equivalents	\$ 629,987	\$ 578,941
Cash reserved for college allowance fund	25,017	30,923
Cash restricted for donor specified purposes	26,221	62,299
<b>Total Cash And Cash Equivalents Included Within The Statement Of Financial Position</b>	<b>\$ 681,225</b>	<b>\$ 672,163</b>

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**GLOBAL SCHOLARS AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2019 And 2018**

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**1. Organization**

Global Scholars (the Scholars) was formed in 1986 with a vision to start Departments of Christian Studies in public universities around the world. In subsequent years, the vision expanded as it became apparent that students in all academic disciplines need Christian professors who communicate the truth, goodness, and beauty of Christ. Cooperative Studies, Inc. (the Affiliate) was formed in 2001 as a not-for-profit organization to help achieve the broader vision. Global Scholars professors serve as teachers, researchers, and university administrators in a wide range of disciplines—math, ethics, engineering, management, business, natural sciences, law, education, and many other fields—all from a Christian perspective. As such, Global Scholars professors have many opportunities to have a redemptive influence among their students, colleagues, universities, and academic disciplines. Global Scholars is now in a new season of growth as it begins to launch the Society of Christian Scholars, a global community of, by, and for missional Christian scholars.

Until August 31, 2017, Global Scholars shared the same board members as the Affiliate and had an economic interest in the Affiliate. Accordingly, Global Scholars financial statements consolidated the accounts and activities of the Affiliate (collectively, the Organization).

Effective August 31, 2017, Cooperative Studies, Inc. was merged into Global Scholars and Global Scholars is the surviving organization.

**2. Significant Accounting Policies**

**Basis Of Accounting**

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting.



### **New Accounting Principle**

On August 18, 2016, Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities – *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, requires new footnote disclosure about liquidity and availability of resources and requires presentation of a schedule of functional expenses. We have implemented the ASU and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

### **Basis Of Presentation**

Financial statement presentation follows the requirements of ASU 2016-14 by presenting assets and liabilities within similar groups and classifying them in ways that provide relevant information about their interrelationships, liquidity and financial flexibility. As a result, the Organization is required to report its financial position and activities according to the following two net asset categories:

Net Assets Without Donor Restrictions: This category includes net assets that are not subject to donor-imposed stipulations, as well as net assets designated by the Board for specific purposes.

Net Assets With Donor Restrictions: This category includes net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time.

### **Principles Of Consolidation**

Until August 31, 2017, the consolidated financial statements included the accounts of the Scholars and the Affiliate (collectively the Organization). All significant inter-organization transactions have been eliminated. The Scholars and the Affiliate were affiliated through the common majority voting interest in the Boards of Directors and the significant economic interest which existed between the entities. As of August 31, 2017, the entities have merged.

### **Estimates And Assumptions**

The preparation of consolidated 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 amounts reported in the consolidated financial statements and accompanying notes. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

### **Cash And Cash Equivalents**

For the purpose of the consolidated statement of cash flows, the Organization considers all bank balances, cash management and highly-liquid investments purchased with an original maturity of three months or less to be cash equivalents. 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.

### **Investments And Investment Return**

Investments consist of stocks and mutual funds and are reported at fair value in the consolidated statement of financial position. See Note 4 for a discussion of fair value measurements. Gains or losses on sales of investments are determined on a specific cost identification method. Unrealized gains and losses are included in the consolidated statements of activities and changes in net assets and are determined based on year-end fair value fluctuations.

### **Promises To Give And Revenue**

Unconditional promises to give are recognized as support in the period the promises are received. Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows, less an allowance for uncollectible promises. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promises are received. Amortization of the discount is included in contribution revenue. There were no unconditional promises to give at June 30, 2019 and 2018.

Contribution revenue is recognized upon written notification from a donor, at net realizable value.

Special event revenue is recognized in the period in which the event occurs. Payments received in advance are recorded as deferred revenue on the consolidated statement of financial position.

Conditional contributions, which depend upon specified future and uncertain events, are not included as support until such time as the conditions are substantially met.

### **Contributions and Support**

Contributions are reported as support with or without donor restrictions, depending on the existence and nature of any donor restrictions.

Support that is originally restricted by the donor and for which the restriction is met in the same period is recorded as both an increase in net assets with donor restrictions and then released from restriction. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restriction.

### **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 support without donor restrictions 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. Furniture and equipment are depreciated on the straight-line method over their estimated useful lives, ranging from three to seven years.

### **Functional Expenses**

Expenses are charged to programs and support services on the basis of management's estimates. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expense classification. Salaries and wages are allocated to program expense and support services based on job descriptions and responsibilities. Other expenses which benefit several programs are allocated on a pro rata basis to the programs they benefit. Management and general expenses include those expenses that are not directly identifiable with a specific function and do not represent direct conduct or direct supervision of a program, but provide for the overall support and direction of the Organization.

### **In-Kind Contributions**

The Organization recognizes the fair value of contributed 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 services not meeting the criteria outlined above is not reflected in these consolidated financial statements. The estimated value of professor services received was \$2,766,643 and \$2,653,533 for the years ended June 30, 2019 and 2018, respectively, and is reported on the consolidated statement of activities and changes in net assets. The related in-kind expense is included in program expenses on the consolidated statement of activities and changes in net assets.

**Income Taxes**

The Scholars and the Affiliate are organizations exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) as not-for-profit religious and educational organizations. The Affiliate filed a final return as of August 31, 2017.

The Organization's tax returns for tax years 2015 and later remain subject to examination by taxing authorities.

**Reclassifications**

Certain reclassifications have been made to the prior year amounts to conform to the current year's presentation. The reclassifications had no effect on net assets.

**Subsequent Event**

Management evaluates subsequent events through the date the financial statements are available for issue, which is the date of the Independent Auditors' Report.

**3. Investments**

Investments and unrealized appreciation are as follows at June 30:

	2019		
	Cost	Fair Value	Unrealized Appreciation
<u>Common stocks</u>	<u>\$ 27,554</u>	<u>\$ 43,790</u>	<u>\$ 16,236</u>

  

	2018		
	Cost	Fair Value	Unrealized Appreciation
<u>Common stocks</u>	<u>\$ 53,843</u>	<u>\$ 88,394</u>	<u>\$ 34,551</u>

Investment return consisted of the following for the years ended June 30:

	2019	2018
Interest and dividend income	\$ 5,840	\$ 4,472
Realized gain	18,095	1,981
Unrealized gain (loss)	(18,315)	12,336
Total investment income	\$ 5,620	\$ 18,789

#### 4. Fair Value Measurements

The Organization follows an established framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under these rules are described below:

- |         |  |
|---------|--|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.  |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none"> <li>• Quoted prices for similar assets or liabilities in active markets;</li> <li>• Quoted prices for identical or similar assets or liabilities in inactive markets;</li> <li>• Inputs other than quoted prices that are observable for the asset or liability;</li> <li>• Inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li> </ul> |

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

## GLOBAL SCHOLARS AND AFFILIATE

### Notes To Consolidated Financial Statements (*Continued*)

Level 3      Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

#### **Common Stocks**

Valued at the daily closing price reported on the active market on which the individual securities are traded.

There have been no changes in the methodologies used at June 30, 2019 and 2018.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2019 and 2018:

	June 30, 2019			
	Level 1	Level 2	Level 3	Total
Common stocks	\$ 43,790	\$ —	\$ —	\$ 43,790

	June 30, 2018			
	Level 1	Level 2	Level 3	Total
Common stocks	\$ 88,394	\$ —	\$ —	\$ 88,394

**5. Net Assets With Donor Restrictions**

Net assets with donor restrictions subject to time and purpose restrictions are available for the following purposes at June 30:

	<u>2019</u>	<u>2018</u>
AIDS projects	\$ 2,067	\$ 2,067
Christian Religious Knowledge	24,055	24,055
Scholarship fund	99	450
Library fund	—	8,489
Launch of Society of Christian Scholars	—	27,238
	<u>\$ 26,221</u>	<u>\$ 62,299</u>

**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:

	<u>2019</u>	<u>2018</u>
Scholarship fund	\$ 351	\$ —
Library fund	8,489	41
Cambian scholarships	7,030	—
Launch of Society of Christian Scholars	27,238	27,762
Total net assets released from restrictions	<u>\$ 43,108</u>	<u>\$ 27,803</u>

**7. Board Designated Net Assets**

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

	2019	2018
SubSahara Africa	\$ 97,479	\$ 150,602
Southeast Asia and related professors	8,288	9,822
Central Asia and related professors	13,049	18,580
China and related professors	36,359	33,596
Europe and related professors	177,875	222,108
Mideast fund	(276)	(276)
Mexico, South & Central America	1,568	3,890
Professors not assigned	15,505	19,951
<b>Total board designated net assets</b>	<b>\$ 349,847</b>	<b>\$ 458,273</b>

**8. Employee Benefits**

The Organization has a retirement plan under IRC Section 403(b). The Plan covers all employees who meet certain service requirements. Annually the Organization will match employee contributions up to 5% of compensation, subject to IRC limitations. For the years ended June 30, 2019 and 2018, the Organization contributed \$43,987 and \$43,156, respectively, 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, and the Organization will match up to 2% of compensation. For the years ended June 30, 2019 and 2018, the Organization contributed \$549 and \$694, respectively, to this College Allowance Fund. The cash held in this fund is restricted for use in satisfying the offsetting liability for the fund.



## GLOBAL SCHOLARS AND AFFILIATE

### Notes To Consolidated Financial Statements (Continued)

#### 9. Joint Costs

The Organization incurred joint costs for informational materials and activities that included fundraising appeals. These joint costs were allocated as follows for June 30, 2019:

	Vision Conference And Retreats	Newsletter And Mailings	Website	Total
Program	\$ —	\$ 3,064	\$ 40,414	\$ 43,478
Management and general	—	3,886	469	4,355
Fundraising	—	6,698	5,781	12,479
Total joint costs	\$ —	\$ 13,648	\$ 46,664	\$ 60,312

These joint costs were allocated as follows for June 30, 2018:

	Vision Conference And Retreats	Newsletter And Mailings	Website	Total
Program	\$ 35,746	\$ 2,284	\$ 32,446	\$ 70,476
Management and general	—	2,000	13,416	15,416
Fundraising	13,724	2,335	1,115	17,174
Total joint costs	\$ 49,470	\$ 6,619	\$ 46,977	\$ 103,066

#### 10. Lease Commitments

In March 2019, the Organization entered into an amendment to the operating lease for office space with a third party through February 2022. Rent expense for the years ended June 30, 2019 and 2018 was \$24,244 and \$24,024, respectively. The future minimum lease payments under the operating lease are as follows:

Year	Amount
2020	\$ 21,540
2021	21,540
2022	14,360
	\$ 57,440

**11. Liquidity And Availability Of Resources**

The Organization has a goal to maintain financial assets, which may consist of cash and short term investments, on hand to meet 90 days of budgeted operating expenses. The Organization will structure its financial assets to be available when needed for its general expenditures, payroll and tax liabilities and other obligations. The financial assets are \$673,777 as of June 30, 2019, as compared to current liabilities of \$93,745.

**12. Expenses Presented According To Functional Classifications**

Expenses for the year ended June 30, 2019 are presented in the following table according to both functional and natural classifications (Note 2):

	Program	Management and General	Fundraising	Total Expenses
Depreciation and amortization	\$ —	\$ 1,338	\$ —	\$ 1,338
Fundraising events	—	—	8,836	8,836
Fellow services	2,766,643	—	—	2,766,643
Grants	47,284	—	—	47,284
Insurance	160	5,125	—	5,285
Occupancy	31,366	8,776	4,434	44,576
Office expenses	38,054	23,990	6,739	68,783
Salaries, payroll taxes and benefits	1,188,832	218,983	74,663	1,482,478
Services	72,545	24,587	103	97,235
Information technology	15,403	2,930	3,684	22,017
Training and professional resources	27,213	1,965	2,048	31,226
Travel	72,101	5,595	29,348	107,044
Other	7,419	489	48	7,956
Total expenses	\$ 4,267,020	\$ 293,778	\$ 129,903	\$ 4,690,701