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**GLOBAL SCHOLARS**  
*FINANCIAL STATEMENTS*  
*JUNE 30, 2020*

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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

## Independent Auditors' Report

Board of Directors  
Global Scholars  
Olathe, Kansas

### Report On The Financial Statements

We have audited the accompanying financial statements of Global Scholars, which comprise the statement of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, 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 auditor considers internal control relevant to the entity'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 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 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 Scholars as of June 30, 2020 and 2019, 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 29, 2020

# GLOBAL SCHOLARS

## STATEMENT OF FINANCIAL POSITION

	Assets	
	June 30,	
	2020	2019
<b>Current Assets</b>		
Cash and cash equivalents	\$ 942,480	\$ 681,225
Investments, fair value	34,255	43,790
Prepaid expenses	17,574	31,598
<b>Total Current Assets</b>	<b>994,309</b>	<b>756,613</b>
<b>Furniture And Equipment, Less Accumulated Depreciation Of \$21,681 In 2020 And \$25,412 In 2019</b>	<b>3,310</b>	<b>2,354</b>
<b>Total Assets</b>	<b>\$ 997,619</b>	<b>\$ 758,967</b>
	<b>Liabilities And Net Assets</b>	
<b>Current Liabilities</b>		
Accounts payable	\$ 9,161	\$ 23,729
Accrued expenses	69,701	65,358
Current portion of note payable	69,165	—
Deferred revenue	3,967	4,658
<b>Total Current Liabilities</b>	<b>151,994</b>	<b>93,745</b>
<b>Liability For College Allowance Fund</b>	<b>21,238</b>	<b>25,017</b>
<b>Note Payable</b>	<b>87,135</b>	<b>—</b>
<b>Net Assets</b>		
With donor restrictions	83,622	26,221
Without donor restrictions:		
Net investment in equipment	3,310	2,354
Board designated	320,759	349,847
Undesignated	329,561	261,783
<b>Total Net Assets</b>	<b>737,252</b>	<b>640,205</b>
<b>Total Liabilities And Net Assets</b>	<b>\$ 997,619</b>	<b>\$ 758,967</b>

## GLOBAL SCHOLARS

### STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS For The Years Ended June 30, 2020 And 2019

	2020			2019		
	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	\$ 1,961,584	\$ 77,100	\$ 2,038,684	\$ 1,877,188	\$ 7,030	\$ 1,884,218
In-kind contributions	2,676,833	—	2,676,833	2,766,643	—	2,766,643
Society of Christian Scholars	8,268	—	8,268	2,717	—	2,717
Administrative fees	—	—	—	3,225	—	3,225
Special events	312	—	312	9,800	—	9,800
Investment income	9,716	—	9,716	5,620	—	5,620
Net assets released from restrictions	19,699	(19,699)	—	43,108	(43,108)	—
<b>Total Revenues, Gains And Other Support</b>	<b>4,676,412</b>	<b>57,401</b>	<b>4,733,813</b>	4,708,301	(36,078)	4,672,223
<b>Expenses</b>						
Program	4,152,818	—	4,152,818	4,267,020	—	4,267,020
Management and general	291,141	—	291,141	293,778	—	293,778
Fundraising	192,807	—	192,807	129,903	—	129,903
<b>Total Expenses</b>	<b>4,636,766</b>	<b>—</b>	<b>4,636,766</b>	4,690,701	—	4,690,701
<b>Increase (Decrease) In Net Assets</b>	<b>39,646</b>	<b>57,401</b>	<b>97,047</b>	17,600	(36,078)	(18,478)
<b>Net Assets - Beginning Of Year</b>	<b>613,984</b>	<b>26,221</b>	<b>640,205</b>	596,384	62,299	658,683
<b>Net Assets - End Of Year</b>	<b>\$ 653,630</b>	<b>\$ 83,622</b>	<b>\$ 737,252</b>	\$ 613,984	\$ 26,221	\$ 640,205

**GLOBAL SCHOLARS**

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**STATEMENT OF CASH FLOWS**

	For The Years Ended June 30,	
	2020	2019
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$ 97,047	\$ (18,478)
Adjustments to reconcile the increase (decrease) in net assets to net cash from operating activities:		
Depreciation	1,304	1,338
Realized and unrealized (gain) loss on investment	(3,580)	220
Changes in assets and liabilities:		
Prepaid expenses	14,024	(12,413)
Accounts payable	(14,568)	6,298
Accrued expenses and college allowance fund	564	(7,145)
Deferred revenue	(691)	(5,142)
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>94,100</b>	<b>(35,322)</b>
<b>Net Cash From Investing Activities</b>		
Purchase of property and equipment	(2,260)	—
Proceeds from sale of investments	13,115	44,384
<b>Net Cash Provided By Investing Activities</b>	<b>10,855</b>	<b>44,384</b>
<b>Net Cash Provided By Financing Activity - Proceeds From Note Payable</b>	<b>156,300</b>	<b>—</b>
<b>Net Increase In Cash And Cash Equivalents</b>	<b>261,255</b>	<b>9,062</b>
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>681,225</b>	<b>672,163</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 942,480</b>	<b>\$ 681,225</b>

# GLOBAL SCHOLARS

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2020 And 2019

### 1. Organization

Global Scholars (the Scholars, the Organization) 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. 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.

### 2. Significant Accounting Policies

#### **Basis Of Accounting**

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

#### **New Accounting Principle**

During 2020, the Organization adopted ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, which provides enhanced guidance to assist organizations in evaluating whether transactions should be accounted for as contributions or reciprocal transactions. The implementation did not have a material impact on the financial statements.



### **Basis Of Presentation**

Financial statement presentation follows the requirements of accounting principles generally accepted in the United States of America 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.

### **Estimates And Assumptions**

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 amounts reported in the 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**

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, at times, exceed federally insured limits. 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 are reported at fair value in the 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 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, 2020 and 2019.

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 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 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 this criteria is not reflected in these financial statements. The estimated value of professor services received was \$2,676,833 and \$2,766,643 for the years ended June 30, 2020 and 2019, respectively, and is reported on the statement of activities and changes in net assets. The related in-kind expense is included in program expenses on the statement of activities and changes in net assets.

### **Income Taxes**

The Scholars is an organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) as not-for-profit religious and educational organizations.

The Organization's tax returns for tax years 2016 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:

	<b>2020</b>		
	<b>Cost</b>	<b>Fair Value</b>	<b>Unrealized Appreciation</b>
<u>Common stocks</u>	\$ 20,593	\$ 34,255	\$ 13,662

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

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

	<b>2020</b>	2019
Interest and dividend income	\$ 6,136	\$ 5,840
Realized gain	6,154	18,095
Unrealized gain (loss)	(2,574)	(18,315)
<u>Total investment income</u>	<u>\$ 9,716</u>	<u>\$ 5,620</u>

#### 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:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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.

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, 2020 and 2019.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2020 and 2019:

	<b>June 30, 2020</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Common stocks	\$ 34,255	\$ —	\$ —	\$ 34,255

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

**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:

	<b>2020</b>	2019
AIDS projects	\$ 2,067	\$ 2,067
Christian Religious Knowledge Scholarship fund	24,055	24,055
Society of Christian Scholars	57,500	—
	<b>\$ 83,622</b>	<b>\$ 26,221</b>

## 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>2020</u>	<u>2019</u>
Scholarship fund	\$ 199	\$ 351
Library fund	—	8,489
Cambian scholarships	—	7,030
Society of Christian Scholars	<b>19,500</b>	<b>27,238</b>
	<hr/>	<hr/>
Total net assets released from restrictions	<b>\$ 19,699</b>	<b>\$ 43,108</b>

## 7. Board Designated Net Assets

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

	<u>2020</u>	<u>2019</u>
SubSahara Africa	\$ 72,682	\$ 97,479
Southeast Asia and related professors	10,470	8,288
Central Asia and related professors	11,152	13,049
China and related professors	39,991	36,359
Europe and related professors	171,696	177,875
Mideast	2,470	(276)
Mexico, South & Central America	6,140	1,568
Professors not assigned	6,158	15,505
	<hr/>	<hr/>
Total board designated net assets	<b>\$ 320,759</b>	<b>\$ 349,847</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, 2020 and 2019, the Organization contributed \$42,830 and \$43,987, respectively, to the retirement plan.

## GLOBAL SCHOLARS

### Notes To Financial Statements (Continued)

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, 2020 and 2019, the Organization contributed \$646 and \$549, respectively, to this College Allowance Fund. At June 30, 2020 and 2019, the fund had a balance of \$21,238 and \$25,017, respectively. The cash held in this fund is restricted for use in satisfying the offsetting liability for the fund.

### 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, 2020:

	<b>Conferences And Retreats</b>	<b>Newsletter And Mailings</b>	<b>Website</b>	<b>Total</b>
Program	\$ 5,416	\$ 2,089	\$ 36,742	\$ 44,247
Management and general	849	903	9,737	11,489
Fundraising	—	4,257	23,057	27,314
<b>Total joint costs</b>	<b>\$ 6,265</b>	<b>\$ 7,249</b>	<b>\$ 69,536</b>	<b>\$ 83,050</b>

These joint costs were allocated as follows for June 30, 2019:

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



## 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, 2020 and 2019 was \$24,060 and \$24,244, respectively. The future minimum lease payments under the operating lease are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 21,540
2022	14,360
	<u>\$ 35,900</u>

## 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 available to meet general expenditures over the next 12 months are \$871,875 as of June 30, 2020, as compared to current liabilities of \$151,994. As of June 30, 2019, the financial assets were \$673,777, as compared to current liabilities of \$93,745. Financial assets consist of cash, cash equivalents and investments.

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

Expenses for the year ended June 30, 2020 are presented in the following table according to both functional and natural classifications:

	<b>Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>
Depreciation and amortization	\$ —	\$ 1,304	\$ —	\$ 1,304
Fundraising events	—	—	978	978
Fellow services	2,683,368	317	328	2,684,013
Grants	68,658	—	—	68,658
Insurance	359	5,631	—	5,990
Occupancy	25,334	9,507	5,553	40,394
Office expenses	15,429	6,163	2,709	24,301
Salaries, payroll taxes and benefits	1,161,219	226,970	150,925	1,539,114
Services	97,697	29,350	6,901	133,948
Information technology	11,530	2,461	4,189	18,180
Training and professional resources	29,727	1,610	77	31,414
Travel	58,817	7,828	21,147	87,792
Other	680	—	—	680
<b>Total expenses</b>	<b>\$ 4,152,818</b>	<b>\$ 291,141</b>	<b>\$ 192,807</b>	<b>\$ 4,636,766</b>

## GLOBAL SCHOLARS

### Notes To Financial Statements (Continued)

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

	<b>Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>
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
<b>Total expenses</b>	<b>\$ 4,267,020</b>	<b>\$ 293,778</b>	<b>\$ 129,903</b>	<b>\$ 4,690,701</b>

### 13. Note Payable

On April 17, 2020, the Organization received an unsecured loan in the amount of \$156,300 under the Paycheck Protection Program (the PPP). The PPP was established under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), and is administered by the U.S. Small Business Administration. This loan has a two year term, bears interest at 1% and may also be eligible for tax free forgiveness up to 100% of the loan value if certain criteria are met. As of June 30, 2020, \$156,300 was outstanding. During the year ended June 30, 2020, there was no interest expense incurred or paid. Scheduled maturity of the note payable as of June 30, 2020 is as follows:

<b>Year</b>	<b>Amount</b>
2021	\$ 69,165
2022	87,135
	<b>\$ 156,300</b>

#### **14. Risks And Uncertainties**

The outbreak of a novel strain of coronavirus (COVID-19) has been declared by the World Health Organization to be a public health emergency of international concern and has been declared to be a pandemic. This outbreak and the associated economic impact may result in reduction of future contributions and is expected to have an adverse impact on results of operations, financial position and liquidity of the Organization. As the scope and duration of the COVID-19 pandemic is unknown and the extent of its economic impact continues to evolve globally, the Organization is unable to quantify its effect and ultimate impact.