

Global Volunteers

Financial Statements Together with Independent Auditors' Report

September 30, 2017

GLOBAL VOLUNTEERS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Global Volunteers
Little Canada, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Global Volunteers (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017 and 2016 and the related statements of activities, functional expenses, 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 of 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 auditor's 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 Volunteers as of September 30, 2017 and 2016, 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.

Olsen Thielson + Co., LTD

Roseville, Minnesota
January 27, 2018

GLOBAL VOLUNTEERS

STATEMENT OF FINANCIAL POSITION SEPTEMBER 30, 2017 AND 2016

ASSETS		
	2017	2016
CURRENT ASSETS:		
Cash	\$ 15,266	\$ 29,370
Accounts Receivable	12,371	20,762
Prepaid Expenses	63,896	62,823
Inventory	12,257	18,908
Total Current Assets	103,790	131,863
PROPERTY AND EQUIPMENT:		
In Service	430,474	789,472
Construction in Process	17,009	-
Total	447,483	789,472
Less Accumulated Depreciation	159,203	672,398
Net Property and Equipment	288,280	117,074
TOTAL ASSETS	\$ 392,070	\$ 248,937
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Line of Credit	\$ -	\$ 40,000
Note Payable	21,311	20,035
Accounts Payable	63,214	53,951
Accrued Expenses	29,443	27,604
Total Current Liabilities	113,968	141,590
NET ASSETS:		
Unrestricted	118,482	(179,622)
Temporarily Restricted	159,620	286,969
Total Net Assets	278,102	107,347
TOTAL LIABILITIES AND NET ASSETS	\$ 392,070	\$ 248,937

The accompanying notes are an integral part of the financial statements.

GLOBAL VOLUNTEERS

STATEMENT OF ACTIVITIES YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES:						
Volunteer Contributions	\$ 2,521,871	\$ 84,488	\$ 2,606,359	\$ 2,389,367	\$ 73,645	\$ 2,463,012
Dedicated Contributions		112,739	112,739	-	98,557	98,557
Other Contributions	98,512	-	98,512	75,122	-	75,122
In-Kind Contributions	16,299	42,600	58,899	-	-	-
Net Assets Released from Restrictions	<u>367,176</u>	<u>(367,176)</u>	<u>-</u>	<u>204,027</u>	<u>(204,027)</u>	<u>-</u>
Total Support and Revenues	<u>3,003,858</u>	<u>(127,349)</u>	<u>2,876,509</u>	<u>2,668,516</u>	<u>(31,825)</u>	<u>2,636,691</u>
EXPENSES:						
Program Services	2,312,731	-	2,312,731	2,393,743	-	2,393,743
Management and General	224,468	-	224,468	203,277	-	203,277
Fundraising	168,555	-	168,555	155,773	-	155,773
Total Expenses	<u>2,705,754</u>	<u>-</u>	<u>2,705,754</u>	<u>2,752,793</u>	<u>-</u>	<u>2,752,793</u>
CHANGE IN NET ASSETS	298,104	(127,349)	170,755	(84,277)	(31,825)	(116,102)
NET ASSETS at Beginning of Year	<u>(179,622)</u>	<u>286,969</u>	<u>107,347</u>	<u>(95,345)</u>	<u>318,794</u>	<u>223,449</u>
NET ASSETS at End of Year	<u>\$ 118,482</u>	<u>\$ 159,620</u>	<u>\$ 278,102</u>	<u>\$ (179,622)</u>	<u>\$ 286,969</u>	<u>\$ 107,347</u>

The accompanying notes are an integral part of the financial statements.

GLOBAL VOLUNTEERS

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED SEPTEMBER 30, 2017

	2017			
	Program Services	General and Administrative	Fundraising	Total
Employee Compensation	\$ 881,840	\$ 148,882	\$ 114,525	\$ 1,145,247
Payroll Taxes	<u>68,007</u>	<u>9,469</u>	<u>8,609</u>	<u>86,085</u>
Total Personnel Costs	949,847	158,351	123,134	1,231,332
Program Services	887,303	-	-	887,303
Contributions	119,547	-	-	119,547
Office Expense	40,857	11,595	2,761	55,213
Marketing	67,107	-	678	67,785
Rent	44,160	8,280	2,760	55,200
Bank and Credit Card Fees	55,400	5,094	3,184	63,678
Insurance	50,898	12,725	3,349	66,972
Professional Fees	17,892	19,518	3,253	40,663
Information Technology	34,510	4,060	2,030	40,600
Depreciation	26,421	3,303	3,303	33,027
Business Development	11,267	495	619	12,381
Fundraising	-	-	22,532	22,532
Miscellaneous	<u>7,522</u>	<u>1,047</u>	<u>952</u>	<u>9,521</u>
Total	<u>\$ 2,312,731</u>	<u>\$ 224,468</u>	<u>\$ 168,555</u>	<u>\$ 2,705,754</u>

The accompanying notes are an integral part of the financial statements.

GLOBAL VOLUNTEERS

STATEMENT OF FUNCTIONAL EXPENSES (Continued) YEAR ENDED SEPTEMBER 30, 2016

	2016			
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Employee Compensation	\$ 816,650	\$ 137,876	\$ 106,059	\$ 1,060,585
Payroll Taxes	58,528	8,150	7,409	74,087
Total Personnel Costs	<u>875,178</u>	<u>146,026</u>	<u>113,468</u>	<u>1,134,672</u>
Program Services	1,077,010	—	—	1,077,010
Contributions	128,518	—	—	128,518
Office Expense	40,980	11,629	2,769	55,378
Marketing	38,823	—	392	39,215
Rent	44,160	8,280	2,760	55,200
Bank and Credit Card Fees	52,999	4,874	3,046	60,919
Insurance	49,518	12,379	3,258	65,155
Professional Fees	10,499	11,453	1,909	23,861
Information Technology	34,394	4,046	2,023	40,463
Depreciation	29,684	3,710	3,710	37,104
Business Development	8,265	363	454	9,082
Fundraising	—	—	21,514	21,514
Miscellaneous	3,715	517	470	4,702
	—	—	—	—
Total	<u>\$ 2,393,743</u>	<u>\$ 203,277</u>	<u>\$ 155,773</u>	<u>\$ 2,752,793</u>

The accompanying notes are an integral part of the financial statements.

GLOBAL VOLUNTEERS

STATEMENT OF CASH FLOWS YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 170,755	\$ (116,102)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
Depreciation	33,027	37,104
Change in Current Assets and Liabilities:		
Accounts Receivable	8,391	7,444
Prepaid Expenses	(1,073)	12,593
Inventory	6,651	11,703
Accounts Payable	9,263	10,206
Accrued Expenses	1,839	3,284
Net Cash Flows From Operating Activities	228,853	(33,768)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(204,233)	(26,919)
Net Cash Flows From Investing Activities	(204,233)	(26,919)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in Line of Credit, net	(40,000)	(10,000)
Payments on Note Payable	(134,104)	(26,312)
Advance on Note Payable	135,380	30,612
Net Cash Flows From Financing Activities	(38,724)	(5,700)
NET CHANGE IN CASH	(14,104)	(66,387)
CASH at Beginning of Year	29,370	95,757
CASH at End of Year	\$ 15,266	\$ 29,370
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash Paid for Interest	\$ 7,675	\$ 2,947

The accompanying notes are an integral part of the financial statements.

GLOBAL VOLUNTEERS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Global Volunteers (the Organization) is a private nonprofit, nonsectarian international development organization based in St. Paul, Minnesota. Founded in 1984, Global Volunteers strives to wage peace throughout the world by helping to establish mutual understanding between people of diverse cultures.

Each year, Global Volunteers coordinates more than 150 teams of short-term volunteers (one to three weeks) who participate on long-term human and economic development projects. From all backgrounds, and of all ages, our volunteers become “servant-learners”, working with and learning from people worldwide. Programs are offered in China, the Cook Islands, Ghana, Tanzania, Costa Rica, Cuba, St. Lucia, Ecuador, Mexico, Peru, Jamaica, India, Hungary, Poland, Romania, Italy, Greece and the United States.

The work projects, which are determined by the host organizations and directed by local leaders, include teaching conversational English, math and science, caring for vulnerable children, providing health care, building, renovating and maintaining community facilities such as schools, health clinics, homes, and community centers. Volunteers generously contribute their time and skills, paying all program-related costs. Team members gain several benefits:

- Immersion in the local community: language, culture and traditions,
- Opportunity to be of genuine service,
- First-hand experience of local living conditions and daily activities,
- Insight of local hosts, consultants, community leaders and citizens, and,
- Fully tax-deductible program-related costs (for U.S. taxpayers): airfare, food and lodging.

Global Volunteers holds consultative status with the United Nations Economic and Social Council and UNICEF.

Basis of Presentation

The Organization’s financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues, expenses, gains and losses, net assets are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization and related changes are classified and reported as follows:

Unrestricted - Which reflects resources over which the Board of Directors has discretionary control.

Temporarily Restricted - Which reflects resources received with donor stipulations that limit the use of the donated assets. Temporarily restricted net assets consist of funds received for future service programs, less direct and indirect expenses and certain contributions dedicated to specific projects. The assets are released from restriction once the service program commences or the funds are expended.

The Organization has no permanently restricted net assets.

GLOBAL VOLUNTEERS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

The presentation 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 and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, the Organization has evaluated for recognition or disclosure the events or transactions that occurred through January 27, 2018, the date the financial statements were available to be issued.

Receivables

Receivables are reported at the amount the Organization expects to collect on balances outstanding at year-end. The Organization monitors outstanding balances and periodically writes off balances that are determined to be uncollectible. The Organization has concluded that losses on balances outstanding at year-end will be immaterial.

Inventory

Inventory consists primarily of clothing, brochures, and catalogs. Inventory is valued at cost, determined on a first-in, first-out basis.

Property and Depreciation

Office equipment is recorded at original cost. Donated property is recorded at fair market value. Additions, improvements or major renewals are capitalized. If items of property are sold, retired or otherwise disposed of, they are removed from the asset and accumulated depreciation accounts and any gain or loss thereon is reflected in the statement of activities. The Organization capitalizes assets with a cost of \$1,000 or greater.

Depreciation is computed using the straight-line method based on estimated useful lives of three to fifteen years.

Contributions

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Unconditional contributions are reported at fair value at the date the promise is received. The contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as revenue of unrestricted net assets. In the absence of donor specification that interest and dividend income and gains on donated funds are restricted, such income and gains are reported as revenue of unrestricted net assets.

GLOBAL VOLUNTEERS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Contributions

In-kind contributions consist of donated architectural services and legal services. Donated services are recognized for services that create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would ordinarily be purchased if not provided by donation. Donated services are recorded at fair market value and were \$58,899 and \$0 for 2017 and 2016.

Functional Allocation of Expense

The costs of providing various programs and services are summarized on a functional basis on the statement of activities. Accordingly, certain costs were allocated among the programs or services benefited based on best estimates by management.

Income Taxes

The Organization is exempt from Federal and State income taxes under the provisions of Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes has been made in these financial statements.

The Organization reviews income tax positions taken or expected to be taken in income tax returns to determine if there are any income tax uncertainties. This includes positions that the entity is exempt from income taxes or not subject to income taxes on unrelated business income. The Organization recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by taxing authorities, based on the technical merits of the positions. The Organization has identified no significant income tax uncertainties. The Organization files information returns as a tax-exempt organization. Should that status be challenged in the future, all years since inception are subject to review by the IRS.

Advertising

Advertising costs are expensed as incurred. Total advertising expenses were \$67,785 and \$39,215 for 2017 and 2016.

Retirement Plan

The Organization maintains a 403(b) plan which covers eligible employees. The Organization does not contribute to the plan.

Reclassifications

Certain amounts in the 2016 financial statements and notes have been reclassified to conform with the 2017 presentation. This reclassification had the effect of decreasing unrestricted net assets (and increasing temporarily restricted net assets) by \$67,526 at September 30, 2016. This reclassification had no effect on total net assets for either period.

NOTE 2 - LINE OF CREDIT

The Organization entered into a line of credit agreement in 2017 with Bremer Bank which enables the Organization to borrow up to \$200,000 at 5.25%. The outstanding principal balance is due September 7, 2018. The loan is secured by the real estate mortgage of the Organization's business office, which is held by the Vice President of the Organization. The balance outstanding on this loan at September 30, 2017 was \$0.

GLOBAL VOLUNTEERS

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - LINE OF CREDIT

The Organization entered into a line of credit agreement in 2017 with Bremer Bank which enables the Organization to borrow up to \$200,000 at 5.25%. The outstanding principal balance is due September 7, 2018. The loan is secured by the real estate mortgage of the Organization's business office, which is held by the Vice President of the Organization. The balance outstanding on this loan at September 30, 2017 was \$0.

The Organization had a line of credit agreement with Nonprofits Assistance Fund which enabled the Organization to borrow up to \$150,000 at 6.50%. The outstanding principal balance was paid off in 2017. The balance outstanding on this loan at September 30, 2016 was \$40,000. The Organization did not renew this line of credit.

NOTE 3 - NOTE PAYABLE

In 2017 the Organization entered into a short-term loan agreement with Bank Direct, which is payable in monthly interest and principal installments of \$2,753 and matures on May 1, 2018. The balance outstanding at September 30, 2017 was \$21,311.

The Organization had a short-term loan from Bank Direct, which was payable in monthly interest and principal installments of \$2,577. The note was repaid in 2017. The balance outstanding at September 30, 2016 was \$20,035.

NOTE 4 - RELATED PARTY TRANSACTIONS

The Organization leases space located in a building owned by its Vice President. Minimum monthly payments are \$4,600. The lease agreement is on a month-to-month basis.

Rent expense for this space was \$55,200 for the years ended September 30, 2017 and 2016.

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Volunteer Service Programs	\$ 84,488	\$ 73,645
Dedicated Contributions	<u>75,132</u>	<u>213,324</u>
Total	<u>\$ 159,620</u>	<u>\$ 286,969</u>

Net assets were released from restriction for the following uses:

	<u>2017</u>	<u>2016</u>
Volunteer Service Programs	\$ 73,645	\$ 143,105
Dedicated Contributions	<u>293,551</u>	<u>60,922</u>
Total	<u>\$ 367,196</u>	<u>\$ 204,027</u>

NOTE 6 - COMMITMENT

The Organization entered into a contract subsequent to year end for the construction of three buildings in Tanzania. The construction is to be completed in fiscal year 2018 for a contract sum of approximately \$210,000.