

FINANCIAL STATEMENTS

GLOBAL IMPACT

**FOR THE YEARS ENDED
JUNE 30, 2018 AND 2017**

GLOBAL IMPACT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Global Impact
Alexandria, Virginia

We have audited the accompanying financial statements of Global Impact, which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 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 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 Impact as of June 30, 2018 and 2017, 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.

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Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses on pages 19 - 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

February 6, 2019

GLOBAL IMPACT
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 3,457,713	\$ 2,924,827
Investments	1,628,911	2,017,255
Pledges receivable, net	17,848,731	20,271,695
Accounts receivable	1,668,062	1,684,841
Due from Combined Federal Campaigns	145,039	169,157
Property and equipment, net	663,621	796,360
Other assets	<u>233,629</u>	<u>247,771</u>
TOTAL ASSETS	<u>\$ 25,645,706</u>	<u>\$ 28,111,906</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Line of credit	\$ 500,000	\$ -
Accounts payable	722,813	660,379
Accrued expenses	827,015	860,095
Campaign funds payable to members	16,092,636	18,390,007
Donor-advised funds payable	278,025	302,245
Other distribution payables	1,819,301	2,405,083
Deferred revenue	294,653	200,906
Deferred rent	<u>726,341</u>	<u>797,936</u>
Total liabilities	<u>21,260,784</u>	<u>23,616,651</u>

NET ASSETS

Unrestricted	4,384,922	4,244,168
Temporarily restricted	<u>-</u>	<u>251,087</u>
Total net assets	<u>4,384,922</u>	<u>4,495,255</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 25,645,706</u>	<u>\$ 28,111,906</u>

GLOBAL IMPACT

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018		
	Unrestricted	Temporarily Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT			
Donor-advised funds	\$ 2,887,560	\$ -	\$ 2,887,560
Administrative charges for raising funds for others	3,730,461	-	3,730,461
Non-recurring giving international relief/ development	8,717,609	-	8,717,609
Other giving for international and domestic assistance programs	30,831,953	-	30,831,953
Advisory services, program grants and related revenue	2,308,046	-	2,308,046
Program support services	421,507	-	421,507
Combined Federal Campaign - Outreach Coordinator Fees	2,638,592	-	2,638,592
Investment income	137,216	-	137,216
Contributions	20,100	-	20,100
Other revenue	57,354	-	57,354
Net assets released from donor restrictions	251,087	(251,087)	-
Total revenue, gains, and other support	52,001,485	(251,087)	51,750,398
AMOUNTS RAISED IN CAMPAIGNS (NET OF CAMPAIGN EXPENSE AND SHRINKAGE)			
Combined Federal Campaigns	3,875,497	-	3,875,497
State Government Employee	1,769,695	-	1,769,695
Private sector employee	1,144,043	-	1,144,043
Employee campaigns - indirect payments	12,821,712	-	12,821,712
Local Government employee	451,523	-	451,523
Total raised in campaigns	20,062,470	-	20,062,470
Less: Distributions to member charities	(19,450,287)	-	(19,450,287)
Public support designated to Global Impact	612,183	-	612,183
Total public support, revenue, gains and other support	52,613,668	(251,087)	52,362,581
EXPENSES			
Program Services:			
Distributions to Charities:			
Donor-Advised Funds	2,887,580	-	2,887,580
International Relief and Development	8,683,897	-	8,683,897
Other Giving for International and Domestic Assistance Programs	30,831,953	-	30,831,953
Total distributions to charities	42,403,430	-	42,403,430
Campaign Support:			
General Campaigns	2,162,927	-	2,162,927
Special Programmatic Services	2,564,525	-	2,564,525
Donor-Advised Funds	176,522	-	176,522
Outreach Coordination	2,171,201	-	2,171,201
Total campaign support	7,075,175	-	7,075,175
Total program services	49,478,605	-	49,478,605
Supporting Services:			
Management and General	2,529,572	-	2,529,572
Fundraising	464,737	-	464,737
Total supporting services	2,994,309	-	2,994,309
Total expenses	52,472,914	-	52,472,914
Changes in net assets	140,754	(251,087)	(110,333)
Net assets at beginning of year	4,244,168	251,087	4,495,255
NET ASSETS AT END OF YEAR	\$ 4,384,922	\$ -	\$ 4,384,922

See accompanying notes to financial statements.

GLOBAL IMPACT

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2017		
	Unrestricted	Temporarily Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT			
Donor-advised funds	\$ 3,005,508	\$ -	\$ 3,005,508
Administrative charges for raising funds for others	4,160,529	-	4,160,529
Non-recurring giving-international relief/development	4,586,901	-	4,586,901
Other giving for international and domestic assistance programs	-	-	-
Advisory services, program grants and related revenue	2,424,061	625,350	3,049,411
Program support services	411,434	-	411,434
Combined Federal Campaign - Outreach Coordinator Fees	-	-	-
Investment income	110,723	-	110,723
Contributions	21,950	-	21,950
Other revenue	387,614	-	387,614
Net assets released from donor restrictions	374,263	(374,263)	-
	<u>15,482,983</u>	<u>251,087</u>	<u>15,734,070</u>
Total revenue, gains and other support			
AMOUNTS RAISED IN CAMPAIGNS (NET OF CAMPAIGN EXPENSE AND SHRINKAGE)			
Combined Federal Campaigns	5,074,470	-	5,074,470
State Government Employee	1,806,936	-	1,806,936
Private sector employee	1,439,376	-	1,439,376
Employee campaigns - indirect payments	13,941,253	-	13,941,253
Local Government employee	504,017	-	504,017
	<u>22,766,052</u>	<u>-</u>	<u>22,766,052</u>
Total raised in campaigns			
Less: Distributions to member charities	(22,022,148)	-	(22,022,148)
	<u>743,904</u>	<u>-</u>	<u>743,904</u>
Public support designated to Global Impact			
	<u>16,226,887</u>	<u>251,087</u>	<u>16,477,974</u>
Total public support, revenue, gains and other support			
EXPENSES			
Program Services:			
Distributions to Charities:			
Donor-Advised Funds	3,002,688	-	3,002,688
International Relief and Development	4,543,066	-	4,543,066
Other Giving for International and Domestic Assistance Programs	-	-	-
	<u>7,545,754</u>	<u>-</u>	<u>7,545,754</u>
Total distributions to charities			
Campaign Support:			
General Campaigns	2,626,939	-	2,626,939
Special Programmatic Services	3,123,197	-	3,123,197
Donor-Advised Funds	216,996	-	216,996
Outreach Coordination	16,224	-	16,224
	<u>5,983,356</u>	<u>-</u>	<u>5,983,356</u>
Total campaign support			
Total program services	<u>13,529,110</u>	<u>-</u>	<u>13,529,110</u>
Supporting Services:			
Management and General	1,990,292	-	1,990,292
Fundraising	798,653	-	798,653
	<u>2,788,945</u>	<u>-</u>	<u>2,788,945</u>
Total supporting services			
Total expenses	<u>16,318,055</u>	<u>-</u>	<u>16,318,055</u>
Changes in net assets	(91,168)	251,087	159,919
Net assets at beginning of year	4,335,336	-	4,335,336
NET ASSETS AT END OF YEAR	<u>\$ 4,244,168</u>	<u>\$ 251,087</u>	<u>\$ 4,495,255</u>

See accompanying notes to financial statements.

GLOBAL IMPACT
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (110,333)	\$ 159,919
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	151,401	191,666
Unrealized gain	(1,981)	(69,862)
Realized gain	(62,790)	(9,670)
Loss on disposal of property and equipment	-	3,141
Shrinkage	298,448	117,766
Decrease (increase) in:		
Pledges receivable	2,124,516	(3,679,757)
Accounts receivable	16,779	(1,180,788)
Due from Combined Federal Campaigns	24,118	1,209,077
Other assets	14,142	(85,648)
Increase (decrease) in:		
Accounts payable	62,434	469,357
Accrued expenses	(33,080)	(101,656)
Campaign funds payable to members	(2,297,371)	3,638,034
Donor-advised funds payable	(24,220)	104,915
Other distributions payable	(585,782)	1,057,282
Deferred revenue	93,747	120,053
Deferred rent	(71,595)	(62,536)
Net cash (used) provided by operating activities	<u>(401,567)</u>	<u>1,881,293</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(18,662)	(25,517)
Purchase of investments	(430,221)	(833,613)
Proceeds from sale of investments	<u>883,336</u>	<u>4,283</u>
Net cash provided (used) by investing activities	<u>434,453</u>	<u>(854,847)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on lines-of-credit	(550,000)	(1,164,574)
Borrowings on lines-of-credit	<u>1,050,000</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>500,000</u>	<u>(1,164,574)</u>
Net increase (decrease) in cash and cash equivalents	532,886	(138,128)
Cash and cash equivalents at beginning of year	<u>2,924,827</u>	<u>3,062,955</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,457,713</u>	<u>\$ 2,924,827</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 25,760</u>	<u>\$ 46,188</u>

See accompanying notes to financial statements.

GLOBAL IMPACT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Global Impact's vision is to be the leader in growing global philanthropy and its mission is to build partnerships and resources for the world's most vulnerable people. Its primary activities include:

- a) Participating in nearly 300 workplace giving companies including the Federal government, state governments, local governments, and private workplaces to provide a means for employees of participating institutions to donate either to Global Impact or to its more than 100 member charities;
- b) Creating alliances with funding organizations to address specific relief or development needs in developing countries;
- c) Providing philanthropic services including customized consulting services to the NGO and private sectors through a full suite of services including strategy, implementation and ongoing organizational support, campaign management services, signature and high impact funds, state charitable registration services, and the management of donor-advised funds.
- d) Distributing funds raised on behalf of member charities to them based on criteria established by the Board of Directors;
- e) Adhering to distribution formulae established by the Board of Directors for other funds raised; and
- f) Performing such other charitable and educational activities as may be necessary in order to accomplish the foregoing.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Cash and cash equivalents -

Global Impact considers all cash on hand, deposits in banks, and investments purchased with an original maturity of three months or less to be cash and cash equivalents other than those included in Global Impact's investment portfolio.

Investments -

Investments are recorded at their readily determinable fair value. Dividends, interest, realized and unrealized gains and losses are included in investment income in the Statements of Activities and Changes in Net Assets. Purchases and sales of securities are recorded on a trade-date basis. Interest income is accrued when earned. Dividends are recorded on the ex-dividend date.

Pledges receivable -

Pledges receivable are recorded in the financial statements upon receipt of pledge information from the campaigns. Global Impact honors designations made to each member organization. As all pledges are expected to be collected within one-year, they are recorded at their net realizable value. This is achieved by creating an allowance for estimate uncollectible pledges and for estimated campaign expenses.

GLOBAL IMPACT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Pledges receivable (continued) -

At the end of each fiscal year, any amounts receivable from the previous year's campaign are written off. Subsequent receipts relating to such amounts are set off against the shrinkage expense.

Accounts receivable -

Accounts receivable consists primarily of amounts due from member charities and other corporate clients for which Global Impact provides advisory, cooperative advertising, backbone services, and fund management services. They are recorded at their net realizable value, which approximates fair value. All amounts are due within one year and there is no allowance for doubtful accounts due to management's belief that all accounts receivable are collectible.

Property and equipment -

Property and equipment in excess of \$1,000 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to ten years. Leasehold improvements are amortized over the remaining life of the lease. The assets are amortized over the lesser of the related lease term or their estimated useful life. Cost and related accumulated depreciation and amortization are removed from the accounts when the assets are disposed of, with any gain or loss recognized currently. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the years ended June 30, 2018 and 2017 totaled \$151,401 and \$191,666, respectively.

Campaign funds payable to members -

Pledges that are designated to charity alliance members are recorded as campaign funds payable to member charities. Cash received from campaigns is distributed to each participating member charity in the ratio of its designated pledges to total Global Impact pledges from the relevant campaign. Prior to the monthly distribution of the campaign receipts to the member charities, Board approved expenses less undesignated pledges and other non-designated revenues are deducted in the same ratio as undesignated pledges and are recorded as administrative charges for raising funds on behalf of others.

Income taxes -

Global Impact is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Global Impact is not a private foundation. Global Impact is required to report unrelated business income to the Internal Revenue Service and the Commonwealth of Virginia taxing authorities.

Global Impact's source of unrelated business income consists of a portion of the advisory service income. No provision for income taxes has been made at June 30, 2018 and 2017.

Uncertain tax positions -

For the years ended June 30, 2018 and 2017, Global Impact has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

GLOBAL IMPACT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Revenue recognition -

Revenue is recognized in the period in which it is earned. Revenue received in advance is deferred to the applicable period. Some workplace campaigns choose to distribute employee charitable contributions directly to member charities. Campaigns in which Global Impact and its funded charities actively participate are recorded based on campaign reports received from the employee campaigns. These direct payments are presented under amounts raised in campaigns in the Statements of Activities and Changes in Net Assets.

Temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of Global Impact and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of Global Impact and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Use of estimates -

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Expenses -

Expenses are recognized by Global Impact during the period in which they are incurred. Expenses paid in advance are recorded as prepaid and will be expensed in the applicable period.

Distributions to charities consist of amounts distributed to member charities and other charities from contributions raised through workplace giving under donor-advised fund agreements.

Non-recurring giving for international relief and development are non-recurring contributions made for disaster response and other programs from sources other than annual workplace giving campaigns.

GLOBAL IMPACT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Expenses (continued) -

Campaign support consists of costs associated with increasing overall recognition and representation of funded charities; costs that benefit the overall campaign; and expenses incurred under cost-sharing arrangements. Special programmatic services expenses consist of costs associated with advisory, fiscal agent, grant, signature, and high impact fund and backbone programs.

Management and general expenses consist of costs directly related to the overall operations of Global Impact and maintenance of its corporate existence, including general office management, reception, and financial reporting. Fundraising includes those costs associated with accessing new workplace fundraising campaigns.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Financial instruments and credit risk -

Financial instruments which potentially subject Global Impact to concentrations of credit risk consist principally of cash balances and pledges receivable. At June 30, 2018, Global Impact had deposits in a single financial institutions totaling approximately \$3.2 million excess of the Federal Depositors Insurance Limit. Management believes the risk in these situations to be minimal.

Credit risk with respect to pledges receivable is limited because Global Impact participates with a significant number of campaigns whose participants are spread over a wide geographic region.

Risks and uncertainties -

Global Impact invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

Global Impact adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. Global Impact accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

GLOBAL IMPACT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Fair value measurement (continued) -

Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market Global Impact has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

For disclosure of inputs and valuation techniques, see Note 2.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

New accounting pronouncements not yet adopted -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statements of Activities and Changes in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of Global Impact's financial statements, it is not expected to alter Global Impact's reported financial position.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. Global Impact has not yet decided on a transition method. The ASU is effective for years beginning after December 31, 2018.

GLOBAL IMPACT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

New accounting pronouncements not yet adopted (continued) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year thus the effective date is fiscal years beginning after December 15, 2018. Early adoption is permitted and should be applied retrospectively in the year the ASU is first applied.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 31, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

Global Impact plans to adopt the new ASU at the required implementation date.

2. INVESTMENTS

The table below summarizes, by level within the fair value hierarchy, Global Impact's investments as of June 30, 2018:

	<u>Fair Value/ Level 1</u>	<u>Fair Value/ Level 2</u>	<u>Fair Value/ Level 3</u>	<u>Total June 30, 2018</u>
Asset Class:				
Money market funds	\$ 76,920	\$ -	\$ -	\$ 76,920
Mutual funds - equity	1,251,038	-	-	1,251,038
Mutual funds - fixed income	<u>300,953</u>	<u>-</u>	<u>-</u>	<u>300,953</u>
TOTAL	<u>\$ 1,628,911</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,628,911</u>

The table below summarizes, by level within the fair value hierarchy, Global Impact's investments as of June 30, 2017:

	<u>Fair Value/ Level 1</u>	<u>Fair Value/ Level 2</u>	<u>Fair Value/ Level 3</u>	<u>Total June 30, 2017</u>
Asset Class:				
Money market funds	\$ 147,837	\$ -	\$ -	\$ 147,837
Mutual funds - equity	1,492,502	-	-	1,492,502
Mutual funds - fixed income	<u>376,916</u>	<u>-</u>	<u>-</u>	<u>376,916</u>
TOTAL	<u>\$ 2,017,255</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,017,255</u>

GLOBAL IMPACT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

2. INVESTMENTS (Continued)

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used as of June 30, 2018. There were no transfers between levels in the fair value hierarchy during the years ended June 30, 2018 and 2017.

- *Money market funds* - Valued at the daily closing price as reported by the fund. The money market fund is an open-end funds that are registered with the Securities and Exchange Commission (SEC). This fund is required to publish its daily net asset value (NAV) and to transact at that price. The money market fund is deemed to be actively traded.
- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by Global Impact are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by Global Impact are deemed to be actively traded.

Included in investment income are the following at June 30, 2018 and 2017:

	2018	2017
Interest and dividends	\$ 72,445	\$ 31,191
Unrealized gain	1,981	69,862
Realized gain	62,790	9,670
TOTAL INVESTMENT INCOME	\$ 137,216	\$ 110,723

3. DUE FROM COMBINED FEDERAL CAMPAIGNS

Global Impact has been the Principal Combined Fund Organization (PCFO) for the Department of Defense Combined Federal Campaign (the Overseas Campaign or Overseas) since 1996, and for the National Capital Area's Combined Federal Campaign (the National Capital Area Campaign or NCA) from 2003 to 2012.

Starting in 2016, Global Impact became the PCFO again for NCA. Also in 2016, Global Impact became the PCFO for the Combined Federal Campaign of Central Virginia (Central Virginia Campaign) and the Combined Federal Campaign of New York City (New York City Campaign). Global Impact pays for the expenses of the CFC Programs and is reimbursed from funds collected.

Amounts due to Global Impact from the CFC for unreimbursed expenditures and advances as of June 30, 2018 and 2017 consist of the following:

	2018	2017
Overseas Campaign	\$ 89,253	\$ 97,308
National Capital Area Campaign	37,428	64,928
Central Virginia Campaign	10,314	5,654
New York City Campaign	8,044	1,267
	\$ 145,039	\$ 169,157

GLOBAL IMPACT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

3. DUE FROM COMBINED FEDERAL CAMPAIGNS (Continued)

Subsequent to year-end, Combined Federal Campaigns are no longer managed through a Principal Combined Fund Organization (PCFO).

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Office furniture and equipment	\$ 602,425	\$ 585,126
Leasehold improvements	898,668	898,668
Software	<u>1,013,070</u>	<u>1,013,070</u>
Total property and equipment	2,514,163	2,496,864
Less: accumulated depreciation and amortization	<u>(1,850,542)</u>	<u>(1,700,504)</u>
NET PROPERTY AND EQUIPMENT	<u>\$ 663,621</u>	<u>\$ 796,360</u>

5. LINES OF CREDIT

Global Impact maintained four revolving line-of-credit arrangements to administer the CFC programs. The first agreement had a maximum borrowing amount of \$1,000,000 through December 1, 2016, which was increased to \$3,000,000 through March 31, 2017. This agreement expired on March 31, 2017, and was not renewed. The second agreement had a maximum borrowing amount ranging from \$500,000 to \$1,000,000, based on the life cycle of the related CFC Campaign. This agreement expired on March 31, 2017, and was not renewed. The third agreement has a maximum borrowing amount of \$150,000. The fourth agreement has a tiered borrowing structure based on the life cycle of the related CFC with the borrowing amount ranging from \$150,000 to \$350,000. The third and fourth agreements expired on June 30, 2017, and were not renewed, subsequently.

Global Impact opened a revolving line-of-credit in March 2018 with a maximum borrowing amount of \$2,000,000. Interest is equal to the London Inter-bank Offered Rate (LIBOR) daily floating rate plus 2.25 percentage points (4.34% as of June 30, 2018).

The outstanding balance at June 30, 2018 was \$500,000. There was no balance on this line of credit as of June 30, 2017.

Interest expense for the years ended June 30, 2018 and 2017 totaled \$25,760 and \$46,188, respectively. For the year ended June 30, 2017, the interest was passed through and paid by the campaigns. For the year ended June 30, 2018, Global Impact bore the impact of the interest expense.

6. AMOUNTS RAISED IN CAMPAIGNS

Public support on the Statements of Activities and Changes in Net Assets is represented by the net of estimated campaign expenses incurred by other organizations and estimated shrinkage of the campaigns. Global Impact includes funds raised in CFC's and other campaigns that are distributed directly to its charity members if Global Impact has had substantial involvement in that campaign. The following tables present gross pledges raised by Global Impact and the reconciliation to net amounts raised in campaigns.

GLOBAL IMPACT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

6. AMOUNTS RAISED IN CAMPAIGNS (Continued)

Total amounts raised in campaigns for the year ended June 30, 2018:

	<u>Gross Pledges</u>	<u>Shrinkage</u>	<u>Campaign Expenses</u>	<u>Net Pledges</u>
Combined Federal Campaigns	\$ 4,902,640	\$ (219,728)	\$ (807,415)	\$ 3,875,497
State Government employee	2,011,017	(39,818)	(201,504)	1,769,695
Private sector employee	1,229,349	(52,949)	(32,357)	1,144,043
Employee campaigns - indirect payments	12,827,371	(3,969)	(1,690)	12,821,712
Local Government employee	<u>512,465</u>	<u>(11,899)</u>	<u>(49,043)</u>	<u>451,523</u>
TOTAL RAISED IN CAMPAIGNS	\$ <u>21,482,842</u>	\$ <u>(328,363)</u>	\$ <u>(1,092,009)</u>	\$ <u>20,062,470</u>

Total amounts raised in campaigns for the year ended June 30, 2017:

	<u>Gross Pledges</u>	<u>Shrinkage</u>	<u>Campaign Expenses</u>	<u>Net Pledges</u>
Combined Federal Campaigns	\$ 6,379,289	\$ (430,603)	\$ (874,216)	\$ 5,074,470
State Government employee	2,045,354	(72,599)	(165,819)	1,806,936
Private sector employee	1,571,508	(91,410)	(40,722)	1,439,376
Employee campaigns - indirect payments	13,954,135	(5,521)	(7,361)	13,941,253
Local Government employee	<u>561,350</u>	<u>(26,678)</u>	<u>(30,655)</u>	<u>504,017</u>
TOTAL RAISED IN CAMPAIGNS	\$ <u>24,511,636</u>	\$ <u>(626,811)</u>	\$ <u>(1,118,773)</u>	\$ <u>22,766,052</u>

Amounts that remain due as pledges receivable for the years ended June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Combined Federal Campaigns	\$ 4,167,040	\$ 5,704,965
State Government employee	1,493,626	1,399,804
Private sector employee	509,717	643,583
Employee campaigns - indirect payments	12,758,986	13,918,925
Local Government employee	341,396	348,321
Other	(1,662)	1,681
Less shrinkage	(328,363)	(626,811)
Less campaign expenses	<u>(1,092,009)</u>	<u>(1,118,773)</u>
PLEDGES RECEIVABLE	\$ <u>17,848,731</u>	\$ <u>20,271,695</u>

7. LEASE COMMITMENTS

On November 7, 2013, Global Impact entered into an 11 year lease agreement for office space commencing in March 2014 through February 2025. The lease contains rent escalations of approximately 2.75 percent annually and a fixed rent abatement in the amount of \$243,328 applied toward the first two-year period. In addition, the landlord made concessions to pay for the leasehold improvements up to \$730,015.

GLOBAL IMPACT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

7. LEASE COMMITMENTS (Continued)

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Statements of Financial Position.

The following is a schedule of the future minimum lease payments:

<u>Year Ending June 30,</u>	
2019	\$ 347,487
2020	357,033
2021	366,879
2022	376,950
2023	387,282
Thereafter	<u>668,095</u>
	<u>\$ 2,503,726</u>

Rent expense for the years ended June 30, 2018 and 2017 was \$351,649 and \$289,861, respectively. The deferred rent liability was \$726,341 and \$797,936, respectively.

8. PENSION PLAN

Global Impact has a retirement plan named Global Impact 401(k) Profit Sharing Plan and Trust, which has two components, a money purchase pension plan and a 401(k) plan. The money purchase pension plan covers all full-time employees who have met eligibility requirements during the Plan year.

During the years ended June 30, 2018 and 2017, Global Impact contributed an additional non-matching proportion of each eligible employee's annual salary to the Plan, subject to certain statutory limits. For the years ended June 30, 2018 and 2017, contributions totaled \$14,724 and \$150,190, respectively.

Under the terms of the 401(k) profit sharing plan, eligible employees may make contributions to the extent allowed by law. Global Impact will match employee contributions up to a maximum of five percent of a participant's compensation. For the years ended June 30, 2018 and 2017, contributions totaled \$192,816 and \$228,493.

9. DEFERRED COMPENSATION PLAN

In September 2015, Global Impact established a nonqualified deferred compensation plan for a key employee. Global Impact has assets totaling \$23,441 and \$21,911 as of June 30, 2018 and 2017, respectively, which are included in the accompanying Statements of Financial Position under other assets. The assets are to be used to satisfy the deferred compensation liability included in the accompanying Statements of Financial Position under accrued expenses. Global Impact did not contribute to this plan during the years ended June 30, 2018 and 2017.

GLOBAL IMPACT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

9. DEFERRED COMPENSATION PLAN (Continued)

All of Global Impact's investments related to this plan have been identified as Level 1 in the fair value hierarchy as they have values based on quoted prices in active markets for identical assets based on criteria included in ASC 820, "Fair Value Measurements and Disclosures". Investment gains and losses from the deferred compensation investments are recorded directly to the asset account and the corresponding liability account.

10. COMMITMENTS AND CONTINGENCIES

Employment Agreement -

Global Impact has a long-term contract with an employee that extends through April 30, 2023, with an option to be agreed upon by both parties at least one hundred eighty (180) prior to the termination date to extend the employment term for an additional five (5) year period. If the agreement is terminated without cause, the employee shall continue to receive base salary, and benefits for the lesser of (i) twenty-four (24) months following the effective date of such termination; and (ii) the date of such termination through the termination date.

OIG/OPM Audits -

As the PCFO of the CFC programs, Global Impact is subject to audit by the Inspector General, U.S. Office of Personnel Management (OIG/OPM), U.S. Office of Management and Budget, and the U.S. Government Accountability Office. For the years ended June 30, 2018 and 2017, no audits have been performed by the Inspector General.

11. SUBSEQUENT EVENTS

In preparing these financial statements, Global Impact has evaluated events and transactions for potential recognition or disclosure through February 6, 2019, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

GLOBAL IMPACT

**SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018							
	Distribution to Charities			Program Services				
	Donor- Advised Funds	International Relief and Development	Other Giving for International and Domestic Assistance	Campaign Support				
General Campaigns				Special Programmatic Services	Donor- Advised Funds	CFC Outreach Coordination	Total Program Services	
Salaries - headquarters and field	\$ -	\$ -	\$ -	\$ 1,165,414	\$ 1,388,892	\$ 53,378	\$ 1,006,893	\$ 3,614,577
Employee fringe benefits	-	-	-	229,201	232,750	10,518	197,951	670,420
Campaign material and expenses	-	-	-	313,615	101,428	-	342,908	757,951
Consulting services	-	-	-	54,838	373,194	9,330	158,184	595,546
Depreciation and amortization	-	-	-	-	-	-	-	-
Office supplies and expenses	-	-	-	15,325	53,221	44,677	46,565	159,788
Rent and occupancy	-	-	-	-	1,409	-	61,248	62,657
Travel	-	-	-	24,654	21,930	7,825	32,082	86,491
Legal	-	-	-	-	-	-	-	-
Data network operations	-	-	-	-	323	35,233	39,660	75,216
Conferences and seminars	-	-	-	1,868	21,425	-	-	23,293
Accounting and auditing	-	-	-	-	-	-	-	-
Telephone	-	-	-	9,704	4,968	-	16,888	31,560
Insurance	-	-	-	-	-	-	-	-
Bad debt expense	-	-	-	43,334	-	-	-	43,334
Loss on disposal of property and equipment	-	-	-	-	-	-	-	-
Distributions to members and others	2,887,580	8,683,897	30,831,953	949	93,536	-	-	42,497,915
Subtotal	2,887,580	8,683,897	30,831,953	1,858,902	2,293,076	160,961	1,902,379	48,618,748
Special distribution to members and others	-	-	-	-	-	-	-	-
Allocation of overhead costs	-	-	-	304,025	271,449	15,561	268,822	859,857
TOTAL	\$ 2,887,580	\$ 8,683,897	\$ 30,831,953	\$ 2,162,927	\$ 2,564,525	\$ 176,522	\$ 2,171,201	\$ 49,478,605

GLOBAL IMPACT

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	2018 (Continued)			2017	
	Supporting Services				
	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries - headquarters and field	\$ 1,480,354	\$ 199,747	\$ 1,680,101	\$ 5,294,678	\$ 4,091,738
Employee fringe benefits	430,803	39,234	470,037	1,140,457	1,013,498
Campaign material and expenses	93,496	37,317	130,813	888,764	535,564
Consulting services	183,717	27,214	210,931	806,477	701,414
Depreciation and amortization	151,401	-	151,401	151,401	191,666
Office supplies and expenses	202,998	1,061	204,059	363,847	427,204
Rent and occupancy	288,992	-	288,992	351,649	289,861
Travel	62,407	50,751	113,158	199,649	231,325
Legal	209,500	-	209,500	209,500	168,000
Data network operations	149,988	-	149,988	225,204	164,704
Conferences and seminars	13,298	2,825	16,123	39,416	38,029
Accounting and auditing	90,904	-	90,904	90,904	69,075
Telephone	74,749	4,501	79,250	110,810	77,624
Insurance	58,909	-	58,909	58,909	58,443
Bad debt expense	-	-	-	43,334	254,680
Loss on disposal of property and equipment	-	-	-	-	3,141
Distributions to members and others	-	-	-	42,497,915	7,766,696
Subtotal	3,491,516	362,650	3,854,166	52,472,914	16,082,662
Special distribution to members and others	-	-	-	-	235,393
Allocation of overhead costs	(961,944)	102,087	(859,857)	-	-
TOTAL	\$ 2,529,572	\$ 464,737	\$ 2,994,309	\$ 52,472,914	\$ 16,318,055