



**GLOBAL ACTION
AND AFFILIATES**

CONSOLIDATED FINANCIAL STATEMENTS
With Independent Auditors' Report

September 30, 2012 and 2011

GLOBAL ACTION AND AFFILIATES

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Global Action and Affiliates
Colorado Springs, Colorado

We have audited the accompanying consolidated financial statements of Global Action and Affiliates, which comprise the consolidated statements of financial position as of September 30, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 auditor's 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.

Board of Directors
Global Action and Affiliates
Colorado Springs, Colorado

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Global Action and Affiliates as of September 30, 2012 and 2011, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Colorado Springs, Colorado
April 19, 2013

GLOBAL ACTION AND AFFILIATES

Consolidated Statements of Financial Position

	September 30,	
	2012	2011
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 54,900	\$ 169,558
Accounts receivable	5,882	6,265
Other assets	14,426	8,976
Inventory held for sale	5,892	6,303
Gift-in-kind inventory	12,675	824,940
	93,775	1,016,042
Property and equipment—net	616,739	632,331
 Total Assets	 \$ 710,514	 \$ 1,648,373
 LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 643,572	\$ 561,597
Accrued expenses	101,066	78,566
Current portion of notes payable	7,093	44,021
	751,731	684,184
Notes payable	-	2,146
	751,731	686,330
 Net assets:		
Unrestricted:		
Operating	(849,734)	(904,589)
Equity related to gift-in-kind inventory	12,675	824,940
Equity in property and equipment	616,739	632,331
	(220,320)	552,682
Temporarily restricted	179,103	409,361
	(41,217)	962,043
 Total Liabilities and Net Assets	 \$ 710,514	 \$ 1,648,373

See notes to consolidated financial statements

GLOBAL ACTION AND AFFILIATES

Consolidated Statements of Activities

	Year Ended September 30,					
	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Support:						
Contributions	\$ 1,675,646	\$ 826,469	\$ 2,502,115	\$ 1,674,346	\$ 1,277,092	\$ 2,951,438
Gift-in-kind contributions	1,557,871	-	1,557,871	2,945,146	-	2,945,146
Investment income	801	-	801	797	-	797
Other income (loss)	4,912	-	4,912	(29,717)	-	(29,717)
Total Support and Revenue	3,239,230	826,469	4,065,699	4,590,572	1,277,092	5,867,664
NET ASSETS RELEASED:						
Purpose restrictions	859,778	(859,778)	-	729,699	(729,699)	-
Administrative assessments	196,949	(196,949)	-	409,788	(409,788)	-
Total Reclassifications	1,056,727	(1,056,727)	-	1,139,487	(1,139,487)	-
EXPENSES:						
Program services	4,122,985	-	4,122,985	4,338,807	-	4,338,807
Supporting activities:						
General and administrative	331,961	-	331,961	349,420	-	349,420
Fund-raising	614,013	-	614,013	628,964	-	628,964
	945,974	-	945,974	978,384	-	978,384
Total Expenses	5,068,959	-	5,068,959	5,317,191	-	5,317,191
Change in Net Assets	(773,002)	(230,258)	(1,003,260)	412,868	137,605	550,473
Net Assets, Beginning of Year	552,682	409,361	962,043	139,814	271,756	411,570
Net Assets, End of Year	\$ (220,320)	\$ 179,103	\$ (41,217)	\$ 552,682	\$ 409,361	\$ 962,043

See notes to consolidated financial statements

GLOBAL ACTION AND AFFILIATES

Consolidated Statements of Cash Flows

	Year Ended September 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,003,260)	\$ 550,473
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	41,216	33,657
Changes in operating assets and liabilities:		
Accounts receivable	383	(1,058)
Other assets	(5,450)	(1,057)
Gift-in-kind inventory	812,265	(472,147)
Inventory held for sale	411	54,376
Accounts payable and accrued expenses	104,475	(40,782)
Net Cash Provided (Used) by Operating Activities	(49,960)	123,462
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(25,624)	(117,074)
Net Cash Used by Investing Activities	(25,624)	(117,074)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from new borrowings	8,130	4,029
Payments on note payable	(47,204)	(156,187)
Net Cash Used by Financing Activities	(39,074)	(152,158)
Net Change in Cash and Cash Equivalents	(114,658)	(145,770)
Cash and Cash Equivalents, Beginning of Year	169,558	315,328
Cash and Cash Equivalents, End of Year	\$ 54,900	\$ 169,558
SUPPLEMENTAL DISCLOSURE:		
Interest paid (none capitalized)	\$ 1,808	\$ 6,058

See notes to consolidated financial statements

GLOBAL ACTION AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

1. NATURE OF ORGANIZATIONS:

Global Action is a nonprofit, religious corporation that was incorporated during 1998, whose purpose is to declare the Kingdom of God in word and deed to people around the world. Support for the corporation is raised mainly through contributions from individuals, churches, and other organizations.

Under applicable laws and regulations, Global Action has been determined to be exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Service Code (the "Code") and is not a private foundation under Section 509(a) of the Code.

Global Action works with affiliated field organizations in the United Kingdom, Sweden, Sri Lanka, Nepal, India, El Salvador, Honduras, and Ukraine. The assets, liabilities, and activities of these affiliated organizations are consolidated with Global Action as Global Action controls these affiliates through economic dependence and board representation.

Global Action and Affiliates (collectively GA) are committed to partnerships that effectively minister in six strategic areas. These include:

Evangelism and Outreach - Crusades, Scripture distribution, and special youth evangelism.

Training and Motivation - Pastors conferences, leadership training, Global Modular Studies (GLOMOS), and seminars.

Compassion - Emergency relief and disaster aid to those in crisis. GA also seeks to meet the physical needs of individuals through gift-in-kind contributions such as medical equipment and supplies.

Children and Youth - Summer camps for orphans and street children, short-term outreach programs, and youth training conferences.

Multiplication - Church planting, vision building, and mentoring.

Women of Global Action - Training and motivation for women around the world. During February 2011, some GA employees left GA in order to incorporate this strategic area as its own nonprofit organization. Certain assets and liabilities were transferred out of GA and recorded as a contribution expense in the consolidated statements of activities. All activity is appropriately reflected within the consolidated financial statements.

GLOBAL ACTION AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

GA maintains its accounts and prepares its consolidated financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. 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 reported amounts and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of GA include the consolidated financial resources and activities of Global Action and eight affiliated organizations in the United Kingdom, Sweden, Sri Lanka, El Salvador, Honduras, Ukraine, India, and Nepal. All intercompany balances and transactions have been eliminated in the consolidation.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include checking and savings accounts. These accounts may, at times, exceed federally insured limits. GA has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk related to cash and cash equivalents.

INVENTORY HELD FOR SALE

Inventory consists of items such as clothing, books, and other materials purchased by GA or donated to GA by donors. Purchased inventory is recorded at the lower of cost or fair market value. GA reports its gifts-in-kind based on market sources and inputs to estimate fair value using an exit price notion.

GIFT-IN-KIND INVENTORY

Gift-in-kind inventory consists of items donated to GA by donors such as medical equipment, furniture, books, food, and vehicles to be used for international programs. Gift-in-kind inventory consists of inventory that has been shipped to GA's international locations but not yet disbursed to the local people groups. These items are recorded at fair market value on the date of the donation. Gift-in-kind revenue for the years ended September 30, 2012 and 2011 was \$1,557,871 and \$2,945,146, respectively.

During the year ended September 30, 2012, and 2011, net asset (deficit) balances were \$(41,217) and \$962,043, respectively. This change is mostly attributable to the decrease in gift-in-kind inventory that had balances of \$12,675 and \$824,940 as of September 30, 2012 and 2011, respectively. The decrease in gift-in-kind inventory was attributable to management's approach to deploy gift-in-kind inventory into the field as soon as administratively possible, this created a significant gift-in-kind expense of \$2,364,348 for the year ended September 30, 2012 while gift-in-kind revenue consisted of \$1,545,196 for the year ended September 30, 2012. While there was a decrease in total net assets, the operating deficit actually improved during the year ended September 30, 2012 (see additional comments on the current operating deficit in footnote 11.)

GLOBAL ACTION AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost, or if donated, at fair value as of the date of the gift. Property donated with restrictions regarding its use and contributions of cash to acquire property are reported as restricted support. Absent any donor stipulations, these restrictions expire when the asset is acquired or placed in service, and a reclassification is made from temporarily restricted net assets to unrestricted net assets at that time. Depreciation is provided by the straight-line method over the estimated useful lives of three to forty years. Purchases in excess of \$1,000 are capitalized with lesser amounts expensed in the year of purchase.

NET ASSETS

Net assets include the following classes:

Unrestricted net assets include resources that are used to support GA's current operations and provide for the long-term needs of GA and those resources invested in property and equipment and gift-in-kind inventory.

Temporarily restricted net assets include donor restricted contributions for ministry projects of GA.

SUPPORT AND REVENUE

Contributions are recorded when made, which may be when cash and other assets are received or unconditionally promised. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Property and other non-cash gifts are recorded at their estimated fair market value on the date of donation.

ALLOCATION OF EXPENSES

The costs of providing various program services and supporting activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

GLOBAL ACTION AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

INTERNATIONAL OPERATIONS

As of September 30, 2012 and 2011, current assets in other countries, including cash and cash equivalents, inventory, and other assets, totaled \$45,451 and \$76,699, respectively; and current liabilities, including accounts payable and accrued expenses, amounted to \$127,780 and \$65,723, respectively. Total support and revenue received from international sources amounted to \$430,378 and \$103,162 during the years ended September 30, 2012 and 2011, respectively.

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statement of activities. As of September 30, 2012, Global Action had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

GA's federal Exempt Organization Business Income Tax Returns (Form 990) for the years ended December 31, 2011, 2010, and 2009 are subject to examination by the IRS, generally for three years after they were filed.

3. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consists of:

	September 30,	
	2012	2011
U.S.:		
Furniture and equipment	\$ 150,078	\$ 149,814
Overseas:		
Ukraine furniture and equipment	183,705	183,705
Ukraine buildings	108,274	108,274
Ukraine camp	205,997	205,997
India building improvements and equipment	360,809	327,695
India land	34,211	34,211
Latin America buildings and equipment	10,304	10,304
Nepal furniture and equipment	4,600	4,600
	<u>1,057,978</u>	<u>1,024,600</u>
Accumulated depreciation and amortization	<u>(441,239)</u>	<u>(402,423)</u>
	616,739	622,177
India construction in progress	-	10,154
	<u>\$ 616,739</u>	<u>\$ 632,331</u>

GLOBAL ACTION AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

3. PROPERTY AND EQUIPMENT–NET, continued:

Management has reviewed the assets in other countries and has determined that they are under the control and ownership of GA. The political situation in many countries is subject to rapid change, and therefore, while management believes the assets are properly stated at the date of this report, subsequent changes could occur that would adversely affect the realizable value of the assets in other countries. Additionally, the carrying value of the assets in other countries may not be representative of the amount that would be realized should the assets be sold.

4. NOTES PAYABLE:

Notes payable consist of:

	September 30,	
	2012	2011
Promissory note from a related party, monthly payments of \$2,146, including interest at 3%, due October 2012.	\$ -	\$ 25,000
Unsecured note payable, monthly payments of \$7,747, including variable interest at a rate of Prime as stated in the Wall Street Journal plus 1%, effective interest rate of 4.25% at September 30, 2011, due October 2011.	-	7,550
Promissory note from a related party, monthly payments of \$1,472, including interest at 6%, due October 2011.	-	5,877
Revolving line of credit for equipment, with no set maturity, annual interest at 22%.	6,058	5,214
Revolving line of credit in Honduras, with no set maturity date or interest rate.	1,035	2,526
	7,093	46,167
Less current portion of notes payable	(7,093)	(44,021)
Long-term portion of notes payable	\$ -	\$ 2,146

Future minimum payments on notes payable for the year ending September 30, 2013 are \$7,093.

GLOBAL ACTION AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

5. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets for projects consist of:

	September 30,	
	2012	2011
Compassion	\$ 174,094	\$ 319,753
Global module studies	-	80,499
Evangelistic programs	2,806	7,537
Other projects	2,203	1,572
	<u>\$ 179,103</u>	<u>\$ 409,361</u>

6. OPERATING LEASES:

Global Action leases office space and various office equipment under noncancelable operating lease agreements. Total lease expense of \$89,367 and \$81,044 under these commitments was incurred during the years ended September 30, 2012 and 2011, respectively. Future minimum lease payments under noncancelable operating leases are as follows:

<u>Year Ending September 30,</u>	
2013	\$ 46,612
2014	46,612
2015	8,776
2016	1,463
	<u>\$ 103,463</u>

7. RETIREMENT PLAN:

GA contributes to a 403(b) tax deferred retirement annuity plan ("the Plan"). The Plan covers all full-time and part-time employees. GA contributes 6% of employees' salary after one full year of employment. In addition, GA contributes an additional 2% for all employees who contribute 2% by their own salary reduction. Employer contributions to the Plan totaled \$32,950 and \$30,086 for the years ended September 30, 2012 and 2011, respectively.

GLOBAL ACTION AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2012 and 2011

8. CONCENTRATION:

GA received gift-in-kind contributions from one contributor that totaled approximately 34% and 50% of total support and revenue during the years ended September 30, 2012 and 2011, respectively.

GA received cash contributions from one contributor that totaled approximately 12% and 10% of total support and revenue during the year ended September 30, 2012 and 2011, respectively.

9. RELATED PARTY TRANSACTIONS:

Due to lack of operating funds, the former President of GA elected to delay the collection of expense reimbursements owed to him. As of September 30, 2012 and 2011, GA owed the President \$144,373 and \$97,369, respectively. In addition, as part of the President's separation from GA, the Board agreed to pay certain amounts owed for accrued vacation and payroll. These amounts totaled \$27,796 and \$16,003, respectively. These amounts are reflected in accounts payable on the consolidated statements of financial position.

10. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

11. FINANCIAL CONDITION:

At September 30, 2012 and 2011, the balance in the unrestricted operating net assets was a deficit of \$849,734 and \$904,589, respectively. Management has a plan to reduce or eliminate this deficit within the next three years through planned budget cuts, debt reduction plan, and efforts of its development department.