



**GLOBAL ACTION  
AND AFFILIATES**

CONSOLIDATED FINANCIAL STATEMENTS  
With Independent Accountants' Review Report

September 30, 2013 and 2012

# GLOBAL ACTION AND AFFILIATES

## Table of Contents

	<u>Page</u>
Independent Accountants' Review Report	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities	3
Consolidated Statements of Cash Flows	4
Notes to Consolidated Financial Statements	5

## **INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

Board of Directors  
Global Action and Affiliates  
Colorado Springs, Colorado

We have reviewed the accompanying consolidated statement of financial position of Global Action and Affiliates as of September 30, 2013, and the related consolidated statements of activities and cash flows for the year then ended.

A review includes primarily applying analytical procedures to management's financial data and making inquiries of the organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the consolidated financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The consolidated financial statements for the year ended September 30, 2012, were audited by us, and we expressed an unqualified opinion on them in our report dated April 19, 2013. Our report stated that the information was fairly stated in all material respects in relation to the consolidated financial statements as a whole. We have not performed any auditing procedures on the consolidated financial statements since April 19, 2013.

*Capin Crouse LLP*

Colorado Springs, Colorado  
June 24, 2014

# GLOBAL ACTION AND AFFILIATES

## Consolidated Statements of Financial Position

	September 30,	
	2013 (Reviewed)	2012 (Audited)
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 82,475	\$ 54,900
Accounts receivable	4,125	5,882
Other assets	4,479	14,426
Inventory held for sale	5,382	5,892
Gift-in-kind inventory	4,794	12,675
	101,255	93,775
Property and equipment—net	572,027	616,739
<b>Total Assets</b>	<b>\$ 673,282</b>	<b>\$ 710,514</b>
<b>LIABILITIES AND NET ASSETS:</b>		
Current liabilities:		
Accounts payable	\$ 532,472	\$ 643,572
Accrued expenses	96,456	101,066
	628,928	744,638
Notes payable	5,503	7,093
	634,431	751,731
Net assets:		
Unrestricted:		
Operating	(706,411)	(849,734)
Equity related to gift-in-kind inventory	4,794	12,675
Equity in property and equipment	572,027	616,739
	(129,590)	(220,320)
Temporarily restricted	168,441	179,103
	38,851	(41,217)
<b>Total Liabilities and Net Assets</b>	<b>\$ 673,282</b>	<b>\$ 710,514</b>

See accompanying notes and independent accountants' review report

# GLOBAL ACTION AND AFFILIATES

## Consolidated Statements of Activities

	Year Ended September 30,					
	2013			2012		
	(Reviewed)			(Audited)		
	Temporarily			Temporarily		
Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	
<b>SUPPORT AND REVENUE:</b>						
Support:						
Contributions	\$ 1,057,640	\$ 381,859	\$ 1,439,499	\$ 1,675,646	\$ 826,469	\$ 2,502,115
Gift-in-kind contributions	408,800	-	408,800	1,557,871	-	1,557,871
Investment income	847	-	847	801	-	801
Other income (loss)	41,909	-	41,909	4,912	-	4,912
<b>Total Support and Revenue</b>	<b>1,509,196</b>	<b>381,859</b>	<b>1,891,055</b>	<b>3,239,230</b>	<b>826,469</b>	<b>4,065,699</b>
<b>NET ASSETS RELEASED:</b>						
Purpose restrictions	299,807	(299,807)	-	859,778	(859,778)	-
Administrative assessments	92,714	(92,714)	-	196,949	(196,949)	-
<b>Total Reclassifications</b>	<b>392,521</b>	<b>(392,521)</b>	<b>-</b>	<b>1,056,727</b>	<b>(1,056,727)</b>	<b>-</b>
<b>EXPENSES:</b>						
Program services	1,426,164	-	1,426,164	4,122,985	-	4,122,985
Supporting activities:						
General and administrative	158,656	-	158,656	331,961	-	331,961
Fund-raising	226,167	-	226,167	614,013	-	614,013
	384,823	-	384,823	945,974	-	945,974
<b>Total Expenses</b>	<b>1,810,987</b>	<b>-</b>	<b>1,810,987</b>	<b>5,068,959</b>	<b>-</b>	<b>5,068,959</b>
Change in Net Assets	90,730	(10,662)	80,068	(773,002)	(230,258)	(1,003,260)
Net Assets, Beginning of Year	(220,320)	179,103	(41,217)	552,682	409,361	962,043
Net Assets, End of Year	\$ (129,590)	\$ 168,441	\$ 38,851	\$ (220,320)	\$ 179,103	\$ (41,217)

See accompanying notes and independent accountants' review report

# GLOBAL ACTION AND AFFILIATES

## Consolidated Statements of Cash Flows

	Year Ended September 30,	
	2013 (Reviewed)	2012 (Audited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 80,068	\$ (1,003,260)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	44,712	41,216
Changes in operating assets and liabilities:		
Accounts receivable	1,757	383
Other assets	9,947	(5,450)
Gift-in-kind inventory	7,881	812,265
Inventory held for sale	510	411
Accounts payable and accrued expenses	(115,710)	104,475
Net Cash Provided (Used) by Operating Activities	29,165	(49,960)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	-	(25,624)
Net Cash Used by Investing Activities	-	(25,624)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from new borrowings	1,839	8,130
Payments on note payable	(3,429)	(47,204)
Net Cash Used by Financing Activities	(1,590)	(39,074)
Net Change in Cash and Cash Equivalents	27,575	(114,658)
Cash and Cash Equivalents, Beginning of Year	54,900	169,558
Cash and Cash Equivalents, End of Year	\$ 82,475	\$ 54,900
<b>SUPPLEMENTAL DISCLOSURE:</b>		
Interest paid (none capitalized)	\$ -	\$ 1,808

See accompanying notes and independent accountants' review report

# GLOBAL ACTION AND AFFILIATES

## Notes to Consolidated Financial Statements

September 30, 2013 and 2012

### 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 five 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.

### 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.

# GLOBAL ACTION AND AFFILIATES

## Notes to Consolidated Financial Statements

September 30, 2013 and 2012

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### 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, 2013 and 2012 was \$408,800 and \$1,557,871, respectively.

#### 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.



# GLOBAL ACTION AND AFFILIATES

## Notes to Consolidated Financial Statements

September 30, 2013 and 2012

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### 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.

#### INTERNATIONAL OPERATIONS

As of September 30, 2013 and 2012, current assets in other countries, including cash and cash equivalents, inventory, and other assets, totaled \$58,227 and \$45,451, respectively; and current liabilities, including accounts payable and accrued expenses, amounted to \$147,209 and \$127,780, respectively. Total support and revenue received from international sources amounted to \$243,375 and \$430,378 during the years ended September 30, 2013 and 2012, 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 statements of activities. As of September 30, 2013, 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 September 30, 2012, 2011, and 2010 are subject to examination by the IRS, generally for three years after they were filed.

# GLOBAL ACTION AND AFFILIATES

## Notes to Consolidated Financial Statements

September 30, 2013 and 2012

3. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consists of:

	September 30,	
	2013	2012
	(Reviewed)	(Audited)
U.S.:		
Furniture and equipment	\$ 150,078	\$ 150,078
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	360,809
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>1,057,978</u>
Accumulated depreciation and amortization	<u>(485,951)</u>	<u>(441,239)</u>
	<u>\$ 572,027</u>	<u>\$ 616,739</u>

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.

# GLOBAL ACTION AND AFFILIATES

## Notes to Consolidated Financial Statements

September 30, 2013 and 2012

4. NOTES PAYABLE:

Notes payable consist of:

	September 30,	
	2013	2012
	(Reviewed)	(Audited)
Revolving line of credit for equipment, with no set maturity, annual interest at 22%.	\$ 4,509	\$ 6,058
Revolving line of credit in Honduras, with no set maturity date or interest rate.	994	1,035
	<u>\$ 5,503</u>	<u>\$ 7,093</u>

Future minimum payments on notes payable for the year ending September 30, 2014 are \$5,503.

5. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets for projects consist of:

	September 30,	
	2013	2012
	(Reviewed)	(Audited)
Compassion	\$ 166,973	\$ 174,094
Global module studies	1,468	-
Evangelistic programs	-	2,806
Other projects	-	2,203
	<u>\$ 168,441</u>	<u>\$ 179,103</u>

# GLOBAL ACTION AND AFFILIATES

## Notes to Consolidated Financial Statements

September 30, 2013 and 2012

### 6. OPERATING LEASES:

GA leases office space and various office equipment under noncancelable operating lease agreements. Total lease expense of \$48,208 and \$89,367 under these commitments was incurred during the years ended September 30, 2013 and 2012, respectively. Future minimum lease payments under noncancelable operating leases are as follows:

<u>Year Ending September 30,</u>	
2014	\$ 46,612
2015	8,776
2016	<u>1,463</u>
	<u>\$ 56,851</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 \$12,933 and \$32,950 for the years ended September 30, 2013 and 2012, respectively.

### 8. CONCENTRATION:

GA received gift-in-kind contributions from one contributor that totaled approximately 22% and 34% of total support and revenue during the years ended September 30, 2013 and 2012, respectively.

GA received cash contributions from one contributor that totaled approximately 16% and 12% of total support and revenue during the year ended September 30, 2013 and 2012, 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, 2013 and 2012, GA owed the President \$119,373 and \$144,373, 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 \$7,319 and \$27,796, respectively. These amounts are reflected in accounts payable on the consolidated statements of financial position.

# GLOBAL ACTION AND AFFILIATES

## Notes to Consolidated Financial Statements

September 30, 2013 and 2012

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, 2013 and 2012, the balance in the unrestricted operating net assets was a deficit of \$706,411 and \$849,734, respectively. Management has a plan to reduce or eliminate this deficit within the next three to five years through planned budget cuts, debt reduction plan, and efforts of its development department.