

**GLOBAL ACTION**

**Consolidated Financial Statements**

**For the Years Ended September 30, 2016 and 2015**

**And**

**Independent Auditors' Report**

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Global Action

We have audited the accompanying consolidated financial statements of Global Action and Affiliates (collectively the Organization), which comprise the consolidated balance sheet as of September 30, 2016, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated 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 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 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.

## **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, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Prior Period Financial Statements**

The financial statements of the Organization as of September 30, 2015, were audited by other auditors whose report dated March 11, 2016, expressed an unmodified opinion on those statements.

*Stockman Kast Ryan & Co., LLP*

April 24, 2017

## GLOBAL ACTION

### CONSOLIDATED BALANCE SHEETS SEPTEMBER 30, 2016 AND 2015

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	2016	2015
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 166,372	\$ 139,717
Accounts receivable		27,367
Property held for sale	200,000	
Other assets	<u>11,203</u>	<u>12,685</u>
Total current assets	377,575	179,769
PROPERTY AND EQUIPMENT, NET	<u>1,341</u>	<u>266,661</u>
TOTAL	<u>\$ 378,916</u>	<u>\$ 446,430</u>
 <b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES		
Accounts payable	\$ 160,696	\$ 300,209
Accrued expenses	<u>16,918</u>	<u>145,395</u>
Total current liabilities	<u>177,614</u>	<u>445,604</u>
NET ASSETS		
Unrestricted	84,098	(131,341)
Temporarily restricted	<u>117,204</u>	<u>132,167</u>
Total net assets	<u>201,302</u>	<u>826</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 378,916</u>	<u>\$ 446,430</u>

See notes to consolidated financial statements.

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## GLOBAL ACTION

### CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>						
Contributions	\$ 286,139	\$ 296,345	\$ 582,484	\$ 303,003	\$ 296,555	\$ 599,558
Gift-in-kind contributions	15,181		15,181	20,141		20,141
Debt forgiveness	107,384		107,384	113,784		113,784
Other income	172,698		172,698	68,018		68,018
Net assets released from restriction	311,308	(311,308)		336,389	(336,389)	
Total support and revenue	<u>\$ 892,710</u>	<u>\$ (14,963)</u>	<u>877,747</u>	<u>841,335</u>	<u>(39,834)</u>	<u>801,501</u>
<b>EXPENSES</b>						
Program services	476,643		476,643	459,196		459,196
General and administrative	91,934		91,934	96,354		96,354
Fundraising	50,006		50,006	69,761		69,761
Total expenses	<u>618,583</u>	<u>-</u>	<u>618,583</u>	<u>625,311</u>	<u>-</u>	<u>625,311</u>
SUPPORT AND REVENUE OVER (UNDER) EXPENSES	<u>274,127</u>	<u>(14,963)</u>	<u>259,164</u>	<u>216,024</u>	<u>(39,834)</u>	<u>176,190</u>
<b>OTHER INCOME (EXPENSE)</b>						
Loss on disposal of assets	(7,542)		(7,542)	(1,690)		(1,690)
Loss on impairment of property	(51,146)		(51,146)			
Total	<u>(58,688)</u>	<u>-</u>	<u>(58,688)</u>	<u>(1,690)</u>	<u>-</u>	<u>(1,690)</u>
CHANGE IN NET ASSETS	215,439	(14,963)	200,476	214,334	(39,834)	174,500
NET ASSETS, Beginning of year	(131,341)	132,167	826	(345,675)	172,001	(173,674)
NET ASSETS, End of year	<u>\$ 84,098</u>	<u>\$ 117,204</u>	<u>\$ 201,302</u>	<u>\$ (131,341)</u>	<u>\$ 132,167</u>	<u>\$ 826</u>

See notes to consolidated financial statements.



# GLOBAL ACTION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Global Action is a religious non-profit corporation whose purpose is to declare the Kingdom of God in word and deed to people around the world. Global Action works with affiliated field organizations in the United Kingdom, India, 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 provides leadership training for pastors through its global module studies ministry, provides emergency relief and disaster aid through its compassion ministry, and otherwise fulfills its mission through church planting, vision building, and mentoring. Support for the corporation is raised primarily through contributions from individuals, churches, and other organizations.

**Principles of Consolidation** — The consolidated financial statements include the accounts of Global Action and affiliates (collectively, the Organization). All material intercompany balances and transactions have been eliminated in the consolidation.

**Basis of Accounting** — The financial statements of the Organization have been prepared on the accrual basis of accounting.

**Basis of Presentation** — The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represents resources restricted by donors as to purpose or by the passage of time; and permanently restricted net assets, which represents resources whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization currently has no permanently restricted net assets.

**Revenue Recognition** — Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of property and equipment as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

**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.

**Cash and Cash Equivalents** — The Organization considers all highly liquid investments with a maturity of three months or less at the purchase date to be cash and cash equivalents.

**Property and Equipment** — Property and equipment are recorded at cost or, if donated, at the fair value at the date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which range from five to forty years for buildings and improvements and three to seven years for furnishings and equipment. All acquisitions of property and equipment in excess of \$1,000 and expenditures for repairs, maintenance, and improvements that materially extend the useful lives of assets are capitalized.

**Use of Estimates** — Preparation of the Organization's 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

**Tax Status** — The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction.

The Organization believes that it does not have any uncertain tax positions that are material to the consolidated financial statements. Tax years that remain subject to examination include 2013 through the current period.

**Concentrations of Credit Risk** — Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash accounts, which may at times exceed Federal Deposit Insurance limits.

**Reclassifications** — Certain amounts in the 2015 consolidated financial statements have been reclassified to conform with the 2016 presentation.

**Subsequent Events** — The Organization has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date of issuance of the consolidated financial statements.

## 2. INTERNATIONAL OPERATIONS

As of September 30, 2016 and 2015, current assets in other countries, including cash and cash equivalents, inventory, and other assets, totaled \$51,064 and \$41,763, respectively; and current liabilities, including accounts payable and accrued expenses, amounted to \$36,480 and \$148,059, respectively. Total support and revenue received from international sources amounted to \$147,584 and \$70,381 during the years ended September 30, 2016 and 2015, respectively.



### 3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of September 30:

	<b>2016</b>	<b>2015</b>
US – furniture and equipment	\$ 48,882	\$ 150,078
International:		
India – land, buildings, improvements		352,731
India – furniture and equipment	27,998	27,998
Honduras – equipment	<u>10,304</u>	<u>10,304</u>
Total	87,184	541,111
Less accumulated depreciation	<u>85,843</u>	<u>274,450</u>
Property and equipment, net	<u>\$ 1,341</u>	<u>\$ 266,661</u>

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.

During 2016, the Organization adopted a plan to dispose of land located in India. As part of the plan, an impairment loss of \$51,146 was recognized representing the excess carrying amount over the estimated fair value.

### 4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets for projects consist of the following as of September 30:

	<b>2016</b>	<b>2015</b>
Compassion	\$ 67,377	\$ 85,062
Other projects	<u>49,827</u>	<u>47,105</u>
Total	<u>\$ 117,204</u>	<u>\$ 132,167</u>

### 5. EMPLOYEE RETIREMENT PLAN

The Organization contributes to a 403(b) tax deferred retirement annuity plan. The plan covers all full-time and part-time employees. The Organization contributes 6% of employees' salary after one full year of employment. In addition, the Organization contributes an additional 2% for all employees who contribute 2% by their own salary reduction. Employer contributions to the plan totaled \$16,834 and \$13,556 for the years ended September 30, 2016 and 2015, respectively.

## **6. RELATED PARTY TRANSACTIONS**

Due to lack of operating funds, a former president of Global Action, who resigned in 2012, elected to delay the collection of expense reimbursements that he had accrued during certain periods of his time with the organization. Payments are being made by the Organization on a monthly basis. As of September 30, 2016 and 2015, the balance of those reimbursements was \$107,813 and \$113,013, respectively.

As of September 30, 2015, the Organization had accrued liabilities of \$107,384 for unpaid payroll and expenses owed to a current board member and former president of Global Action who resigned in 2016. During 2016, the individual forgave the full balance, which is reported as debt forgiveness income for the year ended September 30, 2016.

During the years ended September 30, 2016 and 2015, the Organization occupied office space owned by a company that is owned by a board member. In 2016 and 2015, in-kind revenue and expense of \$7,200 and \$9,600, respectively, was recorded for rent expense.

During the years ended September 30, 2016 and 2015, board members and employees of the Organization donated \$153,047 and \$160,908, respectively.