

GLOBAL CATALYTIC MINISTRIES, INC.

Financial Statements

Year Ended December 31, 2019

With

Independent Accountant's Compilation Report



GLOBAL CATALYTIC MINISTRIES, INC.

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Independent Accountant's Compilation Report

Board of Directors
Global Catalytic Ministries, Inc.

Report on the Financial Statements

Management is responsible for the accompanying financial statements of Global Catalytic Ministries, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

MORSE & CO., PLLC

Tulsa, Oklahoma
August 20, 2020

GLOBAL CATALYTIC MINISTRIES, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

Current assets	
Cash and cash equivalents	\$ 119,340
Cash and cash equivalents - restricted	76,958
Prepaid expenses	142,235
Other assets - donor restricted	<u>2,600</u>
Total current assets	<u>341,133</u>
Property and equipment, net	<u>2,829</u>
Total assets	<u><u>\$ 343,962</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	<u>\$ 5,568</u>
Total current liabilities	<u>5,568</u>
Net assets	
Without donor restriction	261,436
With donor restriction	<u>76,958</u>
Total net assets	<u>338,394</u>
Total liabilities and net assets	<u><u>\$ 343,962</u></u>

See independent accountant's compilation report and accompanying notes to financial statements.

GLOBAL CATALYTIC MINISTRIES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restriction	With Donor Restriction	Total
Revenues			
Contributions and bequests	\$ 488,098	\$ 465,954	\$ 954,052
Donated goods and services	-	13,187	13,187
Interest income	22	-	22
Net assets released from restriction	494,082	(494,082)	-
Total revenues	<u>982,202</u>	<u>(14,941)</u>	<u>967,261</u>
Expenses			
Program services	653,249	-	653,249
Management and general	171,430	-	171,430
Fundraising	46,134	-	46,134
Total expenses	<u>870,813</u>	<u>-</u>	<u>870,813</u>
Change in net assets	111,389	(14,941)	96,448
Net assets, beginning of year	<u>150,047</u>	<u>91,899</u>	<u>241,946</u>
Net assets, end of year	<u>\$ 261,436</u>	<u>\$ 76,958</u>	<u>\$ 338,394</u>

See independent accountant's compilation report and accompanying notes to financial statements.

GLOBAL CATALYTIC MINISTRIES, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

Cash flows from operating activities	
Change in net assets	\$ 96,448
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	1,704
Changes in assets and liabilities	
Accounts receivable	682
Prepaid expenses	(133,895)
Accounts payable	<u>(13,676)</u>
Net cash provided by (used in) operating activities	<u>(48,737)</u>
Change in cash and cash equivalents	(48,737)
Cash and cash equivalents, beginning of year	<u>245,035</u>
Cash and cash equivalents, end of year	<u><u>\$ 196,298</u></u>

See independent accountant's compilation report and accompanying notes to financial statements.

GLOBAL CATALYTIC MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Assistance to foreign individuals	\$ 388,766	\$ -	\$ -	\$ 388,766
Leadership training	106,837	-	-	106,837
Executive Director fees	2,700	51,300	-	54,000
Accounting fees	-	48,394	-	48,394
Prayer ministry	43,612	-	431	44,043
Communications coordinator	1,600	30,578	-	32,178
Travel	23,934	1,677	5,113	30,724
Contract services	-	-	23,999	23,999
Staff support disbursements	22,223	-	-	22,223
Computers and services	14,408	1,674	-	16,082
Payroll taxes	8,590	5,649	367	14,606
Telecommunications	11,953	2,083	-	14,036
Advertising and social media	135	975	10,355	11,465
Equipment	4,416	5,007	-	9,423
Bank and merchant fees	2,548	6,600	-	9,148
Security	8,339	-	-	8,339
Food and lodging	2,671	332	4,880	7,883
Rent	1,800	5,469	-	7,269
Gifts	2,000	5,105	-	7,105
Vehicle expense	4,500	-	-	4,500
Assistance to domestic organizations	-	2,061	-	2,061
Office expenses	67	1,651	250	1,968
Legal fees	-	1,886	-	1,886
Printing	315	156	739	1,210
Meetings	-	833	-	833
Depreciation	1,706	-	-	1,706
Permits and licenses	129	-	-	129
Total	\$ 653,249	\$ 171,430	\$ 46,134	\$ 870,813

See independent accountant's compilation report and accompanying notes to financial statements.

GLOBAL CATALYTIC MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Global Catalytic Ministries, Inc. (the Organization) is a qualified tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code. The Organization exists to transform Muslims worldwide through Jesus Christ, by means of evangelism, discipleship, church planting, leadership development, and compassion ministries. The Organization is primarily supported by donations and grants.

Basis of Presentation

The accompanying financial statements have been prepared utilizing the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net Assets With Donor Restrictions

Net assets which are restricted by donors for a particular purpose. When a donor's restriction is satisfied by using the resources in the manner specified by the donor, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from with donor restrictions to without donor restrictions.

Cash and Cash Equivalents

The Organization defines cash and cash equivalents to be all cash on hand and cash in bank accounts with original maturities of three months or less. Cash and cash equivalents include donor restricted deposits that are readily available.

Pledges Receivable

The Organization has elected the fair value option for valuing pledges receivable. The fair value option was chosen to measure pledges in order to mitigate volatility in reported changes in net assets. Pledges are recorded at their estimated fair value when received and revalued annually. No pledge receivables were recorded at December 31, 2019, and as a result no allowance for doubtful accounts is required.

(Continued)

GLOBAL CATALYTIC MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are stated at cost if purchased by the Organization. Donations of property and equipment are recorded as support at the estimated fair market value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset 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. Unless the donor has stipulated how long donated assets must be maintained, the Organization reports the expiration of donor restrictions when the donated or acquired assets are placed in service. At that time, the assets are transferred from restricted net assets to unrestricted net assets. Property and equipment are depreciated using the straight-line method over the estimated useful life. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$2,500 if their useful lives exceed one year.

The Organization records impairment to property and equipment when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated lives. Impairments are recorded to reduce the carrying value of the assets to their estimated fair values determined by the Organization based on facts and circumstances in existence at the time of determination, estimates of probable future economic conditions, and other information. No impairments were recorded in 2019.

Revenue Recognition

Contributions are recorded when the donor makes a promise to give to the Organization that is, in substance, unconditional. Donor-restricted contributions are reported as increases in net assets with donor restriction or permanently-restricted net assets depending on the nature of the restriction. All contributions are considered available for without donor restricted use unless specifically restricted by the donor or subject to other legal restrictions.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses allocated are salaries and wages and payroll taxes which are allocated on the basis of estimates of time and effort.

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization has been classified as a publicly-supported organization which is not a private foundation under Section 509(a) of the code.

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GLOBAL CATALYTIC MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

The Organization has adopted FASB ASC 740-10-25, Accounting for Uncertainty in Income Taxes. The Organization will record a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by the taxing authority.

The Organization's evaluation as of December 31, 2019, revealed no uncertain tax positions that would have a material impact on the financial statements. The Organization will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense, if incurred. The Organization is no longer subject to tax examinations by taxing authorities for years before 2016. Under Treasury regulation section 1.6033-2(g)(1)(iv), a mission society affiliated with or sponsored by one or more churches or church denominations and with more than one-half of the activities of such society conducted in, and directed at persons in foreign countries, is not required by the Internal Revenue Service to complete and file Form 990.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Contributed Services and Assets

During the year ended December 31, 2019, the Organization received services contributed by volunteers. A significant amount of those donated services are not reflected in the financial statements because they do not meet the criteria for recognition of such volunteer efforts.

Fair Value Measurements

The Organization has determined the fair value of certain assets and liabilities. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization employs valuation techniques which maximize the use of observable inputs and minimize the use of unobservable inputs.

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

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GLOBAL CATALYTIC MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

The Organization expenses advertising costs as incurred. Advertising expenses were \$5,836 for the year ended December 31, 2019.

Subsequent Events

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including to the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared states of emergency. It is anticipated that these impacts will continue for some time. Future potential impacts to the Organization include disruptions or restrictions on the Organization's ability to operate. The future effects of these issues are unknown.

On May 1, 2020, the Company received loan proceeds in the amount of \$22,040 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four week period.

In the event any portion of the PPP loan is not forgiven interest is accrued at 1% requiring payments of \$928 beginning in November 2020. The Company believes its use of the loan proceeds will meet the conditions for forgiveness of the loan.

The Organization has evaluated subsequent events through August 20, 2020 the date the financial statements were available to be issued.

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ <u>119,340</u>
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The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments.

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GLOBAL CATALYTIC MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 2 - LIQUIDITY AND AVAILABILITY (CONTINUED)

For purposes of analyzing resources available to meet general expenditures over a twelve-month period, the Organization considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures.

NOTE 3 - FAIR VALUE MEASUREMENTS

Assets measured at fair value on a recurring basis are as follows:

	Fair Value Measurements Using		
	Quoted Prices in Active Markets of Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2019			
Total other assets	\$ 2,600	\$ -	\$ -

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2019:

Computer equipment	\$ 8,518
Less accumulated depreciation	(5,689)
Property and equipment, net	\$ 2,829

Depreciation charged to expense was \$1,704 for the year ended December 31, 2019. The amount was allocated to program services in the statement of functional expenses.

NOTE 5 - SUPPLEMENTAL CASH FLOW INFORMATION

The Organization has adopted *FASB ASU 2016-18, Restricted Cash*, which requires the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash or cash equivalents.

Cash and cash equivalents	\$ 119,340
Cash and cash equivalents - donor restricted	76,958
Total cash, cash equivalents, and donor restricted cash shown in the statement of cash flows	\$ 196,298

(Continued)

GLOBAL CATALYTIC MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 6 - RESTRICTIONS ON ASSETS

Net assets with donor restrictions are available for the following purposes:

Training and Mentoring Volunteer Discipleship Makers	\$ 25,100
Church Planting	20,017
Outside Leadership Summit	13,341
Technology	10,699
Evacuation Reserves	2,600
International Expansion	2,426
Training and Travel for Core Discipleship Makers	2,250
Support for Pastors and Core Discipleship Makers	<u>525</u>
Total	<u><u>\$ 76,958</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the restrictions or by the occurrence of events specified by the donors. The following amounts reflect only donor-restricted contributions expended on the listed programs.

Support for Pastors and Core Discipleship Makers	\$ 186,346
Support for Leadership	126,845
Outside Leadership Summit	63,236
International Expansion	41,408
Training and Mentoring Volunteer Discipleship Makers	33,100
Security	25,599
Redemptive Compassion Ministries	5,364
Church planting	4,983
Technology	3,701
Prayer Ministry	<u>3,500</u>
Total	<u><u>\$ 494,082</u></u>

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GLOBAL CATALYTIC MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 7 - CONCENTRATIONS OF CREDIT RISK

The Organization's financial instruments exposed to concentrations of credit risk consist of primarily cash and cash equivalents. The Organization maintains its cash balances at local banks. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at December 31, 2019. There were no uninsured balances as of December 31, 2019. It is the policy of the Organization to maintain less than a \$250,000 cash balance at an individual bank.

Six donors accounted for approximately 38% of the Organization's donations for the year ended December 31, 2019.

NOTE 8 - NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), which provides more transparency and comparability among organizations by recognizing leased assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2020 with early adoption permitted. The Organization will be evaluating the impact this standard will have on its financial statements and related disclosures.