

GLOBAL CATALYTIC MINISTRIES, INC.

Financial Statements

Year Ended December 31, 2021

With

Independent Auditor's Report



GLOBAL CATALYTIC MINISTRIES, INC.

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Independent Auditor's Report

Board of Directors
Global Catalytic Ministries, Inc.

Opinion

We have audited the accompanying financial statements of Global Catalytic Ministries, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, 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 our opinion, the financial statements referred to above present fairly, in all material respects, the financial position as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Global Catalytic Ministries, Inc., and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Global Catalytic Ministries, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Global Catalytic Ministries, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Global Catalytic Ministries, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

MORSE & CO., PLLC

Tulsa, Oklahoma
December 22, 2022

GLOBAL CATALYTIC MINISTRIES, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS

Current assets	
Cash and cash equivalents	\$ 1,743,102
Cash and cash equivalents - donor restricted	1,825,545
Prepaid expenses	148,884
Current portion of notes receivable	26,000
Security deposits	7,500
Other assets	8,356
Total current assets	<u>3,759,387</u>
Noncurrent assets	
Notes receivable, net of current portion	92,400
Property and equipment, net	34,459
Total noncurrent assets	<u>126,859</u>
Total assets	<u>\$ 3,886,246</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 43,627
Total current liabilities	<u>43,627</u>
Net assets	
Without donor restriction	2,017,074
With donor restriction	1,825,545
Total net assets	<u>3,842,619</u>
Total liabilities and net assets	<u>\$ 3,886,246</u>

See independent auditor's report and the accompanying notes to financial statements.

GLOBAL CATALYTIC MINISTRIES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	Without Donor Restriction	With Donor Restriction	Total
Revenues			
Contributions and bequests	\$ 3,049,466	\$ 5,678,208	\$ 8,727,674
Support for international missionaries	-	291,316	291,316
Donated goods and services	4,555	1,014	5,569
Net assets released from restriction	4,637,532	(4,637,532)	-
Total revenues	<u>7,691,553</u>	<u>1,333,006</u>	<u>9,024,559</u>
Expenses			
Program services	5,160,541	-	5,160,541
Management and general	240,469	-	240,469
Fundraising	582,133	-	582,133
Total expenses	<u>5,983,143</u>	<u>-</u>	<u>5,983,143</u>
Change in net assets	1,708,410	1,333,006	3,041,416
Net assets, beginning of year	<u>308,664</u>	<u>492,539</u>	<u>801,203</u>
Net assets, end of year	<u>\$ 2,017,074</u>	<u>\$ 1,825,545</u>	<u>\$ 3,842,619</u>

See independent auditor's report and the accompanying notes to financial statements.

GLOBAL CATALYTIC MINISTRIES, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021

Cash flows from operating activities	
Change in net assets	\$ 3,041,416
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	5,269
Changes in assets and liabilities	
Prepaid expenses	(47,300)
Security deposits	(7,500)
Other assets	(4,556)
Accounts payable	17,481
	<hr/>
Net cash provided by (used in) operating activities	3,004,810
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Cash flows from investing activities	
Payments received on notes receivable	6,600
Cash loaned on notes receivable	(125,000)
Purchase of property and equipment	(25,311)
	<hr/>
Net cash provided by (used in) investing activities	(143,711)
	<hr/>
Change in cash and cash equivalents	2,861,099
Cash and cash equivalents, beginning of year	707,548
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Cash and cash equivalents, end of year	\$ 3,568,647
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See independent auditor's report and the accompanying notes to financial statements.

GLOBAL CATALYTIC MINISTRIES, INC.
STATEMENT OF FUNTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Services	Management and General	Fundraising	Total
Afghanistan emergency relief	\$ 3,335,064	\$ -	\$ -	\$ 3,335,064
Assistance to foreign individuals	998,098	3,063	3,311	1,004,472
Travel	184,464	-	148,821	333,285
Training	306,813	-	170	306,983
Contract services	-	520	205,781	206,301
Development	-	13,111	129,905	143,016
Prayer ministry	134,773	-	-	134,773
Accounting and auditing services	-	94,133	-	94,133
Security	75,337	10,000	-	85,337
Advertising	-	1,225	56,238	57,463
Bank and merchant fees	-	54,933	-	54,933
Computers and services	33,290	13,140	-	46,430
Telecommunications	36,771	3,833	-	40,604
Rent	-	8,365	26,709	35,074
COVID19 and winter relief	31,402	-	-	31,402
Payroll taxes	8,933	7,477	8,670	25,080
Executive director fees	-	24,000	-	24,000
Equipment	10,113	232	517	10,862
Depreciaton	2,635	1,317	1,317	5,269
Office expenses	183	3,609	16	3,808
Gifts	2,665	-	-	2,665
Meetings	-	1,485	-	1,485
Printing	-	-	678	678
Legal fees	-	26	-	26
Total	<u>\$ 5,160,541</u>	<u>\$ 240,469</u>	<u>\$ 582,133</u>	<u>\$ 5,983,143</u>

See independent auditor's report and the accompanying notes to financial statements.

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 that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions which can be fulfilled, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions in the period such restrictions are satisfied and reported in the statement of activities as net assets released from restrictions. Payments that are received in advance for future program services are not recognized as net assets with donor restrictions due to their deferred nature. The recognition of revenue will occur simultaneously with the release of the restricted purpose.

Contributions received with donor-imposed restrictions are recorded as unrestricted if the restrictions are met within the same period. Contributions for which restrictions are not met in the same period are recognized as temporarily restricted. All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal 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 and will be consumed during the next operating cycle.

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, 2021, and as a result no allowance for doubtful accounts is required.

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

Property and Equipment

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at fair value at time of contribution. Expenditures and improvements that extend the useful lives of the assets are capitalized at cost. The Organization follows the practice of capitalizing expenditures in excess of \$2,500 with a useful life of more than one year. Expenditures for repairs and maintenance are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the property and equipment. All current equipment is being depreciated over a five year useful life.

The Organization records impairments to its 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 the determination, estimates or probably future economic conditions, and other information. No impairments were recorded as of December 31, 2021.

Revenue Recognition

The Financial Accounting Standards Board (FASB) issued ASU 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, which clarifies when a transaction should be accounted for as a contribution or exchange transaction. The Organization is in compliance with ASU 2018-08 under the modified prospective approach. The previous adoption of ASU 2018-08 did not materially impact the financial statements.

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 with donor restriction or permanently restricted net assets depending on the nature of the restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions.

The Organization recognizes contributions after analyzing each agreement and performing the following procedures:

- 1) Determine whether the transaction is an exchange or contribution
- 2) Identify any donor-imposed conditions or restrictions regarding its use
- 3) Distinguish between barriers and donor-imposed restrictions
- 4) Conclude that all conditions are resolved prior to recognizing the contribution as revenue

(Continued)

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

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, insurance, equipment depreciation, and other expenses 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 ministry which is not a private foundation under Section 509(a) of the Code.

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 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 federal and state tax authorities for years before 2018.

Accounting Estimates

The preparation of 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 revenues and expenses during the reporting period. Actual results could differ from those estimates. Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation. It is reasonably possible that changes may occur in the near term that would affect management's estimates with respect to the allowance for doubtful accounts, accrued expenses, and collectability of contributions.

Contributed Services and Assets

During the year ended December 31, 2021, 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.

(Continued)

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

Fair Value Measurements

The Organization records certain financial assets and liabilities at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. Inputs into valuation techniques are categorized into three levels, with the highest priority given to Level 1 and the lowest priority given to Level 3, as described below.

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quote prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Generally unobservable inputs, which are developed based on the best information available and may include the Organization’s own internal data.

Advertising

The Organization expenses advertising costs as incurred. Advertising expenses were \$57,463 for the year ended December 31, 2021.

Subsequent Events

The Organization has evaluated subsequent events through December 22, 2022 the date the financial statements were available to be issued.

NOTE 2 – NOTES RECEIVABLE

The Organization had an outstanding note receivable with an independent contractor which bears no interest and requires monthly payments of \$500. The balance as of December 31, 2021 was \$98,400. The Organization distributed the note during 2021.

(Continued)

GLOBAL CATALYTIC MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

NOTE 3 - 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	<u><u>\$ 1,743,102</u></u>
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The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments.

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 4 - FAIR VALUE MEASUREMENTS

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

	<u>Fair Value Measurements Using</u>		
	Quoted Prices in Active Markets of Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2021			
Other assets	<u><u>\$ 8,356</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2021:

Computer equipment	\$ 42,607
Fixed assets	5,497
Less accumulated depreciation	<u>(13,645)</u>
Property and equipment, net	<u><u>\$ 34,459</u></u>

Depreciation charged to expense was \$5,269 for the year ended December 31, 2021. The amount was allocated to program services, management and general and fundraising in the statement of functional expenses.

(Continued)

GLOBAL CATALYTIC MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

NOTE 6 - 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	\$ 1,743,102
Donor restricted cash	<u>1,825,545</u>
Total cash, cash equivalents, and donor restricted cash shown in the statement of cash flows	<u><u>\$ 3,568,647</u></u>

NOTE 7 - RESTRICTIONS ON NET ASSETS

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

Afghanistan Relief, Winter Relief, COVID-19	\$ 1,555,003
Support for Pastors and Core Discipleship Makers	111,953
Outside Leadership Summit	81,984
International Expansion	41,723
Training and Mentoring Volunteer Discipleship Makers	15,043
Support for International Missionaries	10,483
Evacuation Reserves	8,356
Technology	<u>1,000</u>
Total	<u><u>\$ 1,825,545</u></u>

Afghanistan Emergency Relief donations received from August 15 to December 31, 2021 were quickly delivered to people and churches in Afghanistan. The remaining balance of \$1,555,003 was distributed in 2022.

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.

Afghanistan Relief, Winter Relief, COVID-19	\$ 3,330,022
Support for Pastors and Core Discipleship Makers	487,228
Sheep Among Wolves Training	389,190
Support for International Missionaries	358,751
International Expansion	54,160
Technology	6,787
Training and Mentoring Volunteer Discipleship Makers	6,000
Redemptive Compassion Ministries	4,444
Outside Leadership Summit	<u>950</u>
Total	<u><u>\$ 4,637,532</u></u>

(Continued)

NOTE 8 - CONCENTRATIONS OF CREDIT RISK

The Organization's financial instruments exposed to concentrations of credit risk consist primarily of cash equivalents. The Organization maintains its cash balances at banks, and the balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. From time to time, the Organization may have amounts on deposit in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents, nor has it experienced any losses. Cash balances exceeding the FDIC insured limits was \$2,926,409 at December 31, 2021.

No single donor accounted for more than 3% of the Organization's donations for the year ended December 31, 2021.

NOTE 9 - NEW ACCOUNTING PRONOUNCEMENTS

In February, 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), which provides for more transparency and comparability among organizations by recognizing leased assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021 with early adoption permitted.

In September 2020, The Financial Accounting Standards Board issued Account Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets, which improves generally accepted accounting principles' by increasing the transparency of the contributed non-financial asset for not-for profit entities through enhancement to presentation and disclosure. ASU 2020-07 is affected for annual anus beginning after June 15, 2021, with early adoption permitted.

The Organization will be evaluating the impact these standards will have on its financial statements and related disclosures.

NOTE 10 – FORGIVENESS OF PPP LOAN

On April 12, 2020, the Organization 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 the average monthly payroll expenses of the qualifying business. The loan is forgivable as long as the Organization utilized the funds for eligible purposes including payroll, benefits, rent, and utilities. The loan was recognized as forgiven previously when the Organization met all conditions of the loan terms and conditions. The Organization was granted formal forgiveness by the Small Business Administration on July 12, 2021.