

ACTION MINISTRIES, INC.

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009
AND
INDEPENDENT AUDITORS' REPORT

ACTION MINISTRIES, INC.
DECEMBER 31, 2010 AND 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Action Ministries, Inc.

We have audited the accompanying statements of financial position of Action Ministries, Inc. (a non-profit organization) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Action Ministries, Inc. as of December 31, 2010 and 2009, and changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2011, on our consideration of Action Ministries, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and other supplementary information on pages 11-17 are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Reed, Quinn & McClure, LLC

Norcross, Georgia
May 12, 2011

ACTION MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

ASSETS	2010	2009
Cash	\$ 781,537	\$ 484,520
Investments	194,170	497,134
Grants receivable	147,584	73,305
Promises to give and other receivables	7,938	10,679
Prepaid expenses	18,552	27,073
Prepaid rent	19,325	38,652
Buildings and residential properties	1,387,031	1,407,061
Equipment	279,765	234,870
Vehicles	106,355	156,154
Leasehold improvements	47,507	39,013
Accumulated depreciation	(800,700)	(790,322)
Total Assets	<u>\$ 2,189,064</u>	<u>\$ 2,178,139</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Capital lease payable	\$ 9,575	\$ 16,013
Accounts payable	31,822	23,866
Accrued expenses	74,864	56,519
Total liabilities	<u>116,261</u>	<u>96,398</u>
Net Assets		
Unrestricted	2,053,478	2,043,089
Temporarily restricted	19,325	38,652
Total net assets	<u>2,072,803</u>	<u>2,081,741</u>
Total Liabilities and Net Assets	<u>\$ 2,189,064</u>	<u>\$ 2,178,139</u>

The accompanying notes are an integral part of these financial statements.

ACTION MINISTRIES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<i>UNRESTRICTED</i>						
SUPPORT AND REVENUE						
Contributions	\$ 1,549,734	\$ -	\$ 1,549,734	\$ 1,641,099	\$ -	\$ 1,641,099
Grants	888,508	-	888,508	708,969	-	708,969
Investment income	23,900	-	23,900	(10,900)	-	(10,900)
Other support and revenue	106,319	-	106,319	93,540	-	93,540
Fundraising projects	143,693	-	143,693	92,697	-	92,697
Total support and revenue	<u>2,712,154</u>	<u>-</u>	<u>2,712,154</u>	<u>2,525,405</u>	<u>-</u>	<u>2,525,405</u>
Net assets released from restriction	<u>19,327</u>	<u>(19,327)</u>	<u>-</u>	<u>19,325</u>	<u>(19,325)</u>	<u>-</u>
EXPENSES						
Program expenses	2,062,172	-	2,062,172	2,123,694	-	2,123,694
Supporting services	528,429	-	528,429	411,012	-	411,012
Fundraising expenses	130,491	-	130,491	142,100	-	142,100
Total expenses	<u>2,721,092</u>	<u>-</u>	<u>2,721,092</u>	<u>2,676,806</u>	<u>-</u>	<u>2,676,806</u>
Change in net assets - increase (decrease)	10,389	(19,327)	(8,938)	(132,076)	(19,325)	(151,401)
Net assets - beginning of year	2,043,089	38,652	2,081,741	2,175,165	57,977	2,233,142
Net assets - end of year	<u>\$ 2,053,478</u>	<u>\$ 19,325</u>	<u>\$ 2,072,803</u>	<u>\$ 2,043,089</u>	<u>\$ 38,652</u>	<u>\$ 2,081,741</u>

The accompanying notes are an integral part of these financial statements.

ACTION MINISTRIES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010				2009			
	Supporting Services	Program Services	Fund Raising	TOTAL	Supporting Services	Program Services	Fund Raising	TOTAL
Payroll costs								
Salaries	\$ 230,358	\$ 912,246	\$ 69,711	\$ 1,212,315	\$ 177,137	\$ 1,000,960	\$ 74,899	\$ 1,252,996
Health insurance	18,443	69,841	4,542	92,826	17,341	97,991	7,332	122,664
Payroll taxes	18,034	68,283	4,441	90,758	12,735	71,869	5,379	89,983
Pension expense	7,031	26,648	1,731	35,410	6,405	36,190	2,708	45,303
Workers' compensation	2,504	9,491	617	12,612	1,891	10,410	749	13,050
Total payroll costs	<u>276,370</u>	<u>1,086,509</u>	<u>81,042</u>	<u>1,443,921</u>	<u>215,509</u>	<u>1,217,420</u>	<u>91,067</u>	<u>1,523,996</u>
Expenses								
Food purchases	-	71,189	-	71,189	-	74,095	-	74,095
Emergency allowances	-	37,309	-	37,309	-	35,620	-	35,620
Program supplies	-	30,209	-	30,209	-	19,966	-	19,966
Supportive services	-	29,739	-	29,739	-	34,955	-	34,955
Scholarships and tuition	-	1,452	-	1,452	-	11,422	-	11,422
Audit fees	6,814	6,813	-	13,627	11,925	11,925	-	23,850
Annual conference	1,174	-	-	1,174	668	-	-	668
Bank charges	5,873	-	-	5,873	8,650	-	-	8,650
Computer expenses	49,176	-	-	49,176	36,873	-	-	36,873
Contractors	-	45,992	-	45,992	-	58,220	3,176	61,396
Depreciation	11,917	67,532	-	79,449	9,718	69,048	-	78,766
Dues and subscriptions	6,131	-	-	6,131	8,364	-	-	8,364
Equipment expense	20,948	-	-	20,948	12,088	-	-	12,088
Fundraising expenses	-	-	29,314	29,314	-	-	22,955	22,955
Insurance	2,383	56,493	-	58,876	2,283	87,670	-	89,953
Interest expense	967	-	-	967	484	-	-	484
Internet service	9,202	-	6,063	15,265	5,340	-	6,012	11,352
Miscellaneous	8,817	-	-	8,817	3,064	-	-	3,064
Moving expense	13,663	-	-	13,663	-	-	-	-
Volunteer support	-	8,598	-	8,598	-	4,437	-	4,437
Office supplies	24,372	-	-	24,372	12,204	-	6,433	18,637
Payroll processing fees	3,888	-	-	3,888	4,613	-	-	4,613
Postage	-	-	14,072	14,072	913	3,695	12,457	17,065
Printing	10,141	-	-	10,141	14,245	8,503	-	22,748
Property taxes	-	1,230	-	1,230	-	1,301	-	1,301
Rent	67,687	308,267	-	375,954	53,454	158,920	-	212,374
Repairs and maintenance	-	44,187	-	44,187	-	69,989	-	69,989
Security	-	1,972	-	1,972	-	2,485	-	2,485
Staff development/training	-	3,973	-	3,973	-	5,120	-	5,120
Telephone	8,906	59,603	-	68,509	6,076	61,780	-	67,856
Travel	-	59,199	-	59,199	4,541	64,493	-	69,034
Utilities	-	141,906	-	141,906	-	122,630	-	122,630
Total other expenses	<u>252,059</u>	<u>975,663</u>	<u>49,449</u>	<u>1,277,171</u>	<u>195,503</u>	<u>906,274</u>	<u>51,033</u>	<u>1,152,810</u>
Grand total	<u>\$ 528,429</u>	<u>\$ 2,062,172</u>	<u>\$ 130,491</u>	<u>\$ 2,721,092</u>	<u>\$ 411,012</u>	<u>\$ 2,123,694</u>	<u>\$ 142,100</u>	<u>\$ 2,676,806</u>

The accompanying notes are an integral part of these financial statements.

ACTION MINISTRIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009
Increase (Decrease) in Cash

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions	\$ 1,514,418	\$ 1,627,352
Grants	814,229	725,700
Other support and revenue	221,749	206,395
Expenses paid	<u>(2,587,494)</u>	<u>(2,565,705)</u>
Net cash provided (used) by operating activities	<u>(37,098)</u>	<u>(6,258)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of capital assets	(34,105)	(30,615)
Proceeds from sales of capital assets	50,478	90,500
Investment proceeds	349,286	85,525
Investment purchases	<u>(25,106)</u>	<u>(401,443)</u>
Net cash provided (used) by investing activities	<u>340,553</u>	<u>(256,033)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital lease payments	<u>(6,438)</u>	<u>(3,120)</u>
INCREASE (DECREASE) IN CASH	297,017	(265,411)
CASH AT BEGINNING OF YEAR	484,520	749,931
CASH AT END OF YEAR	\$ <u><u>781,537</u></u>	\$ <u><u>484,520</u></u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Increase in net assets	\$ (8,938)	\$ (139,977)
Non-cash contributions	(38,057)	-
Depreciation	79,449	78,766
(Gain) Loss from sales of capital assets	(30,947)	52,641
Realized and unrealized (gains) losses from investments	(21,216)	(38,301)
Decrease (increase) in receivables	(71,538)	8,278
Decrease (increase) in prepaid expenses	27,848	38,278
Decrease (increase) in accounts payable	7,956	(8,879)
Decrease (increase) in accrued expenses	18,345	2,936
Net cash provided (used) by operating activities	<u>\$ (37,098)</u>	<u>\$ (6,258)</u>
SUPPLEMENTAL INFORMATION - NON-CASH TRANSACTIONS		
Capital asset acquired - capital lease	\$ -	\$ 19,311
Contributed capital assets	<u>\$ 38,057</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

ACTION MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Action Ministries, Inc. ("Action") is affiliated with the North Georgia Conference of the United Methodist Church, and was incorporated on August 24, 1972, as a nonprofit organization. Action's administrative offices are located in Atlanta, Georgia and it has ministry units located in the cities of Athens, Atlanta, Augusta, Gainesville, and Rome, Georgia. The Transitional Housing was established as a separate ministry unit in 2009. Action provides programs to meet the needs of poor and disadvantaged persons and provides programs in which people of faith and other interested persons can participate in charitable service. Action depends on contributions from Churches, church related organizations, individuals, civic groups, businesses, foundations and government grants for support.

Method of Reporting

These financial statements are presented on the accrual basis of accounting to present the results of activities and financial position in conformity with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

Action is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, or permanently restricted net assets. Donors determine the asset classification. Action had no permanently restricted net assets at December 31, 2010 and 2009.

Contributions

All contributions and unconditional promises to give are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of donor restrictions. Action reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. All contributions and unconditional promises to give received that do not have donor restrictions as to purpose or time are classified as unrestricted contributions.

No amounts have been reflected in the financial statements for donated services; however, a substantial number of volunteers have donated significant amounts of their time in Action's ministry and supporting services. If donated services received either create or enhance non-financial assets or require specialized skills which would need to be purchased if not donated, the value of those donated services would be recorded.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 12, 2011, the date the financial statements were available to be issued.

ACTION MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Functional Expenses

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

Use of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and expenses during the reporting period. Actual results could differ from those estimates.

Investments

Investments are recorded at fair market value. Unrealized gains and losses are recognized as increases or decreases in investment income. Investment income is presented net of expenses paid for investment management.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Repairs and maintenance are expensed as incurred, and any improvements that extend the useful lives are capitalized. Depreciation expense for the years ended December 31, 2010 and 2009 amounted to \$79,449 and \$78,766, respectively.

Income Taxes

Action qualifies as a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code, accordingly no provision (or tax benefit) has been reflected in the financial statements. Action would be subject to tax on any unrelated business income, but there has been no such income in 2010 or 2009. Action's annual returns are subject to audit by the Internal Revenue Service. Action's returns that remain subject to audit are 2007, 2009 and 2010. The Internal Revenue Service has determined that Action is not a private foundation.

Cash and Cash Equivalents

Action considers all cash investments and highly liquid investments with original maturities of three months or less to be cash equivalents.

Fair Value of Financial Instruments

Action estimated the fair values of its financial instruments based on quoted market prices (level 1) for investments. The estimated fair value amounts for specific groups of financial instruments are presented within the footnotes applicable to such items. Cash and cash equivalents, grants receivable, promises to give, accounts payable and capital leases are stated at cost, which approximates fair value, due to their short term maturity.

ACTION MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2010 AND 2009

2. DEFINED CONTRIBUTION PLAN

Action has a defined contribution plan. Maximum annual contributions to the plan are 4% of compensation for employees and 11% of compensation for clergy. Employees must contribute 2% of compensation in order to receive the maximum 4% match. Pension expense for the years ended December 31, 2010 and 2009, was \$35,410 and \$45,303, respectively.

3. RELATED PARTY TRANSACTIONS

Action is related to Breakthru House, Inc. ("BHI"). Action provides administrative support to BHI and acts as a common paymaster for BHI employees. These transactions are handled similar to agency transactions. BHI's Board of Directors is selected independently from Action's Board, but Mr. Jim Dickens serves as the chief executive officer for both organizations.

4. CONCENTRATIONS AND SIGNIFICANT SOURCES OF SUPPORT

Action deposits its cash with financial institutions insured by the Federal Deposit Insurance Corporation. At times, balances in these accounts, may exceed federally insured limits. The management of Action does not believe it is subject to material risk after December 31, 2010, since the FDIC insured limit, per financial institution, has been increased to cover 100% of noninterest bearing bank accounts plus \$250,000 for interest bearing accounts. The ability of donors and grantors to provide revenue support comparable with 2010 is dependent upon future economic conditions of the donors and grantors.

5. TEMPORARILY RESTRICTED NET ASSETS

In 2002, Action made significant improvements to the kitchen facilities of a local church in Athens, Georgia with contributions for the specific purpose of paying for the cost of these renovations. The renovations have also provided benefit to the local church, which agreed to accept the renovations in lieu of rent for 10 years. Action has reflected the unamortized cost of these renovations as prepaid rent. Temporarily restricted assets are also reflected for the same amount. Each year the annual amortization is reflected as net assets released from restrictions. At December 31, 2010 unamortized prepaid rent and temporarily restricted net assets amounted to \$19,325.

6. FUND RAISING INCOME AND EXPENSE

Expenses reported on the accompanying statement of activities are the costs incurred, including allocated salaries and related expenses, to generate contribution income. These expenses also include the cost of the special events. No joint cost allocations are required.

7. RECLASSIFICATIONS AND RESTATEMENTS

Income for the year ended December 31, 2009 was reduced by \$11,424 from the previously issued financial statements. This restatement resulted in a reduction of net assets by the same amount. The reduction resulted from additional cost incurred on the sale of property in 2009 and the write-off of uncollectible receivables related to the time period.

ACTION MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2010 AND 2009

8. LEASE COMMITMENTS

Rental expenses amounted to approximately \$67,687 and \$53,454 for the years ended December 31, 2010 and 2009, respectively. Action leases residential properties for its Transitional Housing Programs. The leases are generally one to two year terms. Rental expenses amounted to \$308,267 and \$158,920 for the years ended December 31, 2010 and 2009, respectively. The remaining cash commitment on the lease for the corporate headquarters follows:

Year	Amount
2011	\$ 51,365
2012	53,251
2013	55,375
2014	57,592
2015	59,892
Thereafter	<u>88,662</u>
Total	<u>\$ 366,137</u>

9. INVESTMENTS

Investments and income from investments are as follows:

Investment holdings	<u>2010</u>	<u>2009</u>
Short-term investments	\$ 3,513	\$ 378,824
Equity mutual funds	68,053	100,483
Equity bond funds	<u>98,401</u>	<u>61,268</u>
Total investments, at cost	169,967	540,575
Unrealized gain (loss)	<u>24,203</u>	<u>(43,441)</u>
Total investments, fair market value	<u>\$ 194,170</u>	<u>\$ 497,134</u>
 Investment income:		
Interest and dividend income	\$ 3,562	\$ 4,378
Realized gain (loss)	2,475	(62,559)
Unrealized gain (loss)	<u>17,863</u>	<u>47,281</u>
Total investment income	<u>\$ 23,900</u>	<u>\$ (10,900)</u>

ACTION MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2010 AND 2009

10. CAPITAL LEASES

In 2009, Action purchased telephone equipment under a capital lease in the amount of \$19,311. The effective annual interest rate is 11.28%. The remaining maturity of the lease follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 6,240
2012	<u>4,866</u>
	11,106
Interest	<u>(1,531)</u>
	<u>\$ 9,575</u>

SUPPLEMENTARY INFORMATION

ACTION MINISTRIES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

CFDA Number	Awarding Agency	Program Name	Grant Award Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)				
Direct payments				
14.235	HUD	Supportive Housing Program	GA0084B4010801	\$ 214,613
14.235	HUD	Supportive Housing Program	GA0084B4010802	299,423
14.235	HUD	Supportive Housing Program	GA006B4B000801	59,084
14.235	HUD	Supportive Housing Program	GA006B4B000802	14,461
Total Supportive Housing - direct payments from HUD				<u>587,581</u>
<i>Passed through the Georgia Department of Community Affairs (DCA)\</i>				
14.231	HUD - DCA	Emergency Shelter Grant	2009 09E ET 09C004	23,847
14.231	HUD - DCA	Emergency Shelter Grant	2009 HTF ES 09C007	11,864
14.231	HUD - DCA	Emergency Shelter Grant	2009 09E ET 09C006	11,641
14.231	HUD - DCA	Emergency Shelter Grant	2010 10E ET 10C105	33,434
14.231	HUD - DCA	Emergency Shelter Grant	2010 10E ET 10C147	7,487
14.231	HUD - DCA	Emergency Shelter Grant	2009 HTF ES 09C005	5,346
14.231	HUD - DCA	Emergency Shelter Grant	2010 HTF ES 10C160	10,990
Total Emergency Shelter Grants passed through Georgia Department of Community Affairs				<u>104,609</u>
Other Emergency Shelter Grants passed through				
14.231	Dekalb County, Georgia	Emergency Shelter Grant 7/1/08 to 6/30/10		8,851
14.231	Dekalb County, Georgia	Emergency Shelter Grant 7/1/10 to 6/30/11		5,383
14.231	Augusta-Richmond County, Georgia	Emergency Shelter Grant 1/1/10 to 12/31/10		6,214
14.231	Augusta-Richmond County, Georgia	Emergency Shelter Grant 1/1/10 to 12/31/10		5,863
Total Emergency Shelter Grants				<u>130,920</u>
Other Grants passed through:				
14.218	City of Dalton, Georgia	Community Development Block Grant		11,360
14.218	City of Gainsville, Georgia	Community Development Block Grant		12,000
14.257	City of Atlanta, Georgia	Homeless Prevention and Rapid Rehousing		96,369
TOTAL - U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				<u>838,230</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
97.024	FEMA	Emergency Food and Shelter Program		<u>6,000</u>
TOTAL - U.S. DEPARTMENT OF HOMELAND SECURITY				<u>6,000</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (HSS)				
NA	HSS	Capacity Building Assistance		<u>21,836</u>
				<u>21,836</u>
Total Expenditure of Federal Awards				\$ <u>866,066</u>

ACTION MINISTRIES, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2010

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Action Ministries, Inc., and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Reed, Quinn & McClure, LLC

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Action Ministries, Inc.

We have audited the financial statements of Action Ministries, Inc., ("Action") as of and for the year ended December 31, 2010, and have issued our report thereon dated May 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Action's internal control over financial reporting as a basis of designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Action's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Action's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Action's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether an Action's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

There were no matters reported to management that were not included in this report.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

(Continued)

This report is intended solely for the information and use of management, the audit committee or its equivalent, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Reed, Quinn & McClure, LLC

Norcross, Georgia
May 12, 2011

Reed, Quinn & McClure, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Action Ministries, Inc.

Compliance

We have audited the compliance of Action Ministries, Inc. ("Action") with the types of compliance requirements described in the *U.S. Office Of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2010. Action's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Action Ministries, Inc.'s management. Our responsibility is to express an opinion on Action's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Action's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Action's compliance with those requirements.

In our opinion, Action complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

The management of Action is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Action's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion of the effectiveness of Action's internal control over compliance.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

(Continued)

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in the internal control over compliance that we consider to be material weaknesses, as defined above.

This reported is intended for the information and use of the audit committee or its equivalent, management, and others within the organization, federal awarding, agencies and pass-through entities (including state and local governments) and is not intended to be and should not be used by anyone other these specified parties.

Road, Quinn & McClure, LLC

Norcross, Georgia
May 12, 2011

ACTION MINISTRIES, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2010

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report issued:	Unqualified
Internal control over financial reporting:	
Any significant deficiencies identified?	No
Any significant deficiencies considered to be material weakness?	N/A
Any noncompliance material to the financial statements noted?	No

Federal Awards

Type of report issued:	Unqualified
Internal control over major programs:	
Any significant deficiencies identified?	No
Any significant deficiencies considered to be material weaknesses?	N/A
Any audit finding noted that is required to be reported in accordance with Circular A-133, Section .510(a)?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.235	Supportive Housing Program

The audit threshold between Type A and Type B programs was \$300,000.
 Action Ministries, Inc. is a low risk auditee.

SECTION 2 - FINANCIAL STATEMENT FINDINGS:

NONE NOTED

SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE NOTED

ACTION MINISTRIES, INC.
 SCHEDULE OF EXPENDITURES - STATE OF GEORGIA AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2010

CFDA Number	Awarding Agency	Program Name	State Grant Number	Federal Expenditures
Georgia Department of Community Affairs - pass through from HUD				
14.231	HUD - DCA	Emergency Shelter Grant	2009 09E ET 09C004	23,847
14.231	HUD - DCA	Emergency Shelter Grant	2009 HTF ES 09C007	11,864
14.231	HUD - DCA	Emergency Shelter Grant	2009 09E ET 09C006	11,641
14.231	HUD - DCA	Emergency Shelter Grant	2010 10E ET 10C105	33,434
14.231	HUD - DCA	Emergency Shelter Grant	2010 10E ET 10C147	7,487
14.231	HUD - DCA	Emergency Shelter Grant	2009 HTF ES 09C005	5,346
14.231	HUD - DCA	Emergency Shelter Grant	2010 HTF ES 10C160	10,990
<i>Total State of Georgia Grant Expenditures</i>				\$ <u>104,609</u>