

RECIPROCAL MINISTRIES INTERNATIONAL, INC.

REVIEWED FINANCIAL STATEMENTS

DECEMBER 31, 2016

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors  
Reciprocal Ministries International, Inc.

We have reviewed the accompanying financial statements of Reciprocal Ministries International, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2016 and the related statements of activities, cash flows and functional expenses for the year then ended and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly we do not express such an opinion.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 financial statements that are free from material misstatement whether due to fraud or error.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion**

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



Lloyd Chase, CPA  
Fort Myers, Florida  
December 8, 2017

RECIPROCAL MINISTRIES INTERNATIONAL, INC.  
Statement of Financial Position  
At December 31, 2016

<u>Assets</u>	
Current Assets	
Cash and cash equivalents	\$1,091,033
Loans to officers	<u>10,100</u>
Total Current Assets	1,101,133
Noncurrent Assets	
Property and equipment, net	19,026
Security deposits	300
Restricted cash	<u>900</u>
Total Noncurrent Assets	<u>20,226</u>
Total Assets	<u>\$1,121,359</u> =====
 <u>Liabilities and Net Assets</u>	
Current Liabilities	
Accounts payable and accrued expenses	\$ 11,258
Current portion of capitalized lease payable	<u>1,415</u>
Total Current Liabilities	12,673
Long Term Debt	
Capitalized lease payable	<u>539</u>
Total Liabilities	13,212
Net Assets	
Unrestricted	573,484
Temporarily restricted	533,763
Permanently restricted	<u>900</u>
Total Net Assets	<u>1,108,147</u>
Total Liabilities and Net Assets	<u>\$1,121,359</u>

See accompanying notes and independent accountant's review report

RECIPROCAL MINISTRIES INTERNATIONAL, INC.  
Statement of Activities  
For the Year Ended December 31, 2016

Changes in Unrestricted Net Assets:

Revenues and other support:	
Contributions	\$ 906,043
Interest	<u>445</u>
Total unrestricted revenues and other support	906,488
Net assets released from satisfaction of program restrictions	<u>1,586,194</u>
Total unrestricted revenues and other support	2,492,682
Expenses:	
Program services	1,985,155
Management and general	178,719
Fund-raising	<u>74,279</u>
Total expenses	<u>2,238,153</u>
Increase in Unrestricted Net Assets	254,529
<u>Changes in Temporarily Restricted Net Assets:</u>	
Revenues, gains and other support:	
Contributions	1,758,453
Net assets released from restrictions	<u>(1,586,194)</u>
Increase in Temporarily Restricted Net Assets	172,259
Increase in Net Assets	426,788
Net Assets at the Beginning of Period	<u>681,359</u>
Net Assets at the End of Period	<u>\$1,108,147</u>

See accompanying notes and independent accountant's review report.

RECIPROCAL MINISTRIES INTERNATIONAL, INC.  
Statement of Cash Flows  
For the Year Ended December 31, 2016

Cash Flows from Operating Activities:

Change in net assets	\$ 426,788
Adjustments to Reconcile Change in Net Assets:	
Cash Provided by Operating Activities:	
Depreciation/Amortization	7,351
Decrease in:	
Accounts payable and accrued expenses	<u>(23,346)</u>
Net cash provided by operating activities	410,793

Cash Flows to Investing Activities:

Purchases of property and equipment	<u>( 4,537)</u>
Net cash used by investment activities	( 4,537)

Cash Flows to Financing Activities:

Repayment of loans from officers	4,252
Payments on capitalize lease	<u>( 1,021)</u>
Net cash provided by financing activities	<u>3,231</u>

Net Increase in Cash and Cash Equivalents	409,487
Cash and Cash Equivalents at Beginning of Period	<u>681,546</u>
Cash and Cash Equivalents at End of the Period	<u>\$1,091,033</u>

See accompanying notes and independent accountant's review report.

RECIPROCAL MINISTRIES INTERNATIONAL, INC.  
Statement of Functional Expenses  
For the Year Ended December 31, 2016

	<u>Total</u>	<u>Programs Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>
Direct Costs	\$1,349,927	\$1,349,927	\$	\$
Salaries-Officers	208,220	117,916	60,864	29,440
Salaries- Staff/Subs	288,860	227,048	47,579	14,233
Employee Benefits	116,948	91,306	17,757	7,885
Payroll Taxes	33,624	23,664	7,043	2,917
Fees- Services	21,769	11,997	6,966	2,806
Office Expenses	50,577	33,751	10,936	5,890
Occupancy Costs	23,362	15,569	5,555	2,238
Travel	35,947	29,738	4,426	1,783
Transportation	16,877	14,325	1,819	733
Education	4,243	3,606	454	183
Equip/Vehicle Costs	39,683	39,683		
Interest/Fin Charges	17,439	9,611	5,580	2,248
Miscellaneous	15,558	8,574	4,979	2,005
Meals	7,768	4,389	2,409	970
Depreciation/Amort.	<u>7,351</u>	<u>4051</u>	<u>2,352</u>	<u>948</u>
Total	<u>\$2,238,153</u>	<u>\$1,985,155</u>	<u>\$178,719</u>	<u>\$74,279</u>

See accompanying notes and independent accountant's review report.

RECIPROCAL MINISTRIES INTERNATIONAL, INC.  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ORGANIZATION

Reciprocal Ministries International, Inc. is a non-profit corporation dedicated to spreading the Gospel of Jesus Christ through church ministry and missionary activity in the Third World. Strategically, RMI strives to link churches in the US and in Haiti. Financial and volunteer resources are provided and include ministry training, medical teams, child education sponsorships, agronomy assistance, hunger relief and child food provision, small construction projects and the construction of prefab housing.

The Organization is incorporated under the laws of the State of Florida and is exempt from income tax under Section 501 (c)(3) of the U.S. Internal Revenue Code 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the accrual basis. The significant accounting policies are summarized below:

Display of Net Assets by Class

The financial statements report amounts separately by class of net assets:

- a) Unrestricted amounts are those currently available at the discretion of the board for use in the Organization's ministries, and those resources invested in land, furniture and office equipment.
- b) Temporarily restricted amounts are those which are restricted by the donors for specific operating purposes.
- c) Permanently restricted amounts are those which can never be spent due to the donor restrictions.

All contributions are considered available for unrestricted use, unless specifically restricted by the donor or other legal restrictions.

RECIPROCAL MINISTRIES INTERNATIONAL, INC.  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in interest-bearing checking accounts and which are in United States accounts only accessed by the home office.

Property and Equipment

Property and equipment used in the United States operations are capitalized at cost. Property and equipment used in the field is expensed. Donated assets to be used in the ministry are recorded at their fair market value on the date of the gift. Gain or loss from retirement or disposal of assets is reflected in the statement of unrestricted revenues and expense in the period in which the transaction occurs. Property and equipment are depreciated using a straight-line method.

Revenues, Support and Expenses

Contribution income mainly from churches and individuals is recorded when cash is received or when ownership of donated assets is transferred. Expenses are recorded when incurred or when funds are ready to be transferred to the foreign field.

The Organization 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.

The Organization allocates a predetermined percentage of certain donations received to administrative fee income and other unrestricted income accounts. This allocation is to reimburse for the overhead attributable to ministry support functions.

Allocation of Expenses

The costs of providing the various programs and supporting activities of the Organization have been summarized on a functional basis in the statements of activities and detailed in the statement of functional expenses. Certain costs which do not relate directly to a particular activity have been allocated among program services, management and general services, and fund-raising activities.

RECIPROCAL MINISTRIES INTERNATIONAL, INC.  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Materials and Services

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

No amounts have been reflected in the statements for donated services, since no objective basis is available to measure the value of such services. However, a substantial number of volunteers from US Sister Churches have donated significant amounts of their time in the Organization's program services. Donated containers of food have been recorded at fair market value and expensed when received; this amount is estimated to be an amount of \$479,000 in 2016. The amount received from one contributor of the food containers is 15.7% of total contributions in 2016.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimated.

Concentration of Credit Risk

The Organization maintains cash balances in banks whose accounts are insured by the Federal Deposit Insurance Corporation. There were amounts on deposit with a bank that were not fully insured at December 31, 2016 in the amount of approximately \$178,000.

RECIPROCAL MINISTRIES INTERNATIONAL, INC.  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment are as follows at December 31, 2016:

Office equipment and software	\$ 37,092
Capitalized lease of copier	3,500
Transportation equipment	16,000
Furniture and fixtures	26,618
Less accumulated depreciation/amortization	<u>(64,184)</u>
Net property and equipment	<u>\$ 19,026</u>

Estimated useful lives for property and equipment are 5 and 7 years and amounts are depreciated or amortized using a straight-line method.

Depreciation/amortization in the amount of \$7,351 has been included in the statement of activities for the year ended December 31, 2016.

Property and equipment for use in Haiti is expensed in the year of purchase. An amount of \$39,683 was expensed in 2016. Significant amounts spent in prior years for property and equipment have been expensed but much of the property and equipment is still in use in Haiti operations. These include vehicles, office equipment, improvements in the new office, the converted old office, the repair depot, the retreat center and the construction of the original buildings at the retreat center. Ownership of these assets is held by a strategic national partner in Haiti.

NOTE 4 – LONG TERM DEBT

The Organization financed the purchase of a copier with a lease accounted for as a capitalized lease. Payments of \$110 will be made for a period of 36 months at an interest rate of 8.2%. Payments are scheduled to end in May, 2019.

NOTE 5 – LEASING ARRANGEMENTS

The Organization conducts its operations in the US from facilities that are leased year by year starting on August 1 each year. Presently, the amount paid is \$1,100 per month. In Haiti, the Organization also rents month to month the new office, the old office converted for missionary use and a duplex intended for missionary use. Through its strategic national partner, the Organization maintains but pays no rent for the retreat center and the repair depot.

Occupancy costs include an amount of rent expense in 2016 of approximately \$19,000.

RECIPROCAL MINISTRIES INTERNATIONAL, INC.  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – TEMPORARILY RESTRICTED NET ASSET

Temporarily restricted net assets are available for the following purposes at December 31, 2016:

Haiti ministries	\$324,100
Management and field personnel, net	<u>209,663</u>
	<u>\$533,763</u>

NOTE 7 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to:

Endowment, requiring principal to be maintained permanently and earnings to be used for RMI operations	<u>\$ 900</u>
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NOTE 8 – LOANS TO OFFICERS

Loans with Board approval were given to two officers. The terms include repayment over thirty-four months and no interest.

Original balances	\$18,750
Less repayments	<u>8,650</u>
Balances	<u>\$10,100</u>

NOTE 9 - RETIREMENT PLAN

The Organization has a 401K plan with a matching feature for employees contributing into the plan. An amount of \$10,300 was the matching amount for the year 2015 that was recorded in 2016. There was no amount for the year 2016.

NOTE 10 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 8, 2017, the date which the financial statements were available to be issued.