

RECIPROCAL MINISTRIES INTERNATIONAL, INC.

REVIEWED FINANCIAL STATEMENTS

DECEMBER 31, 2018

## **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, 2018 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  
November 15, 2019

RECIPROCAL MINISTRIES INTERNATIONAL, INC.  
Statement of Financial Position  
At December 31, 2018

<u>Assets</u>	
Current Assets	
Cash and cash equivalents	\$1,315,574
Loans to officers	<u>4,000</u>
Total Current Assets	1,319,574
Noncurrent Assets	
Property and equipment, net	30,810
Security deposits	300
Other asset	<u>900</u>
Total Noncurrent Assets	<u>32,010</u>
Total Assets	<u>\$1,351,584</u>
 <u>Liabilities and Net Assets</u>	
Current Liabilities	
Accounts payable and accrued expenses	\$ 17,174
Current portion of capitalized lease payable	<u>0</u>
Total Current Liabilities	17,174
Long Term Debt	
Capitalized lease payable	<u>0</u>
Total Liabilities	17,174
Net Assets	
Without donor restrictions	841,306
With donor restrictions	<u>493,104</u>
Total Net Assets	<u>1,334,410</u>
Total Liabilities and Net Assets	<u>\$1,351,584</u>

See accompanying notes and independent accountant's review report.

RECIPROCAL MINISTRIES INTERNATIONAL, INC.  
Statement of Activities  
For the Year Ended December 31, 2018

Changes in Net Assets without Donor Restrictions:

Revenues:	
Contributions	\$1,372,475
Interest	<u>588</u>
Total revenues without donor restrictions	1,373,063
Net assets released from donor restrictions	<u>1,702,126</u>
Total revenues without Donor Restrictions	3,075,189
Expenses:	
Program services	2,667,063
Management and general	182,741
Fund-raising	<u>101,491</u>
Total expenses	<u>2,951,295</u>
Increase in Net Assets without Donor Restrictions	123,894
<u>Changes in Net Assets with Donor Restrictions:</u>	
Revenues, gains and other support:	
Contributions	1,628,242
Net assets released from restrictions	<u>(1,702,126)</u>
Decrease in Net Assets with Donor Restrictions	(73,884)
Increase in Net Assets	50,010
Net Assets at the Beginning of Period	<u>1,284,400</u>
Net Assets at the End of Period	<u>\$1,334,410</u>

See accompanying notes and independent accountant's review report.

RECIPROCAL MINISTRIES INTERNATIONAL, INC.  
Statement of Cash Flows  
For the Year Ended December 31, 2018

Cash Flows from Operating Activities:

Change in net assets	\$ 50,010
Adjustments to Reconcile Change in Net Assets:	
Cash Provided by Operating Activities:	
Depreciation/Amortization	10,764
Increase in:	
Accounts payable and accrued expenses	<u>(1,306)</u>
Net cash provided by operating activities	59,468

Cash Flows to Investing Activities:

Purchases of property and equipment	<u>( 4,268)</u>
Net cash used by investment activities	<u>( 4,268)</u>

Cash Flows to Financing Activities:

Loan to officer	( 9,000)
Repayment of loans from officers	10,900
Payments on capitalize lease	<u>( 750)</u>
Net cash provided by financing activities	<u>1,150</u>

Net Increase in Cash and Cash Equivalents	56,350
Cash and Cash Equivalents at Beginning of Period	<u>1,259,224</u>
Cash and Cash Equivalents at End of the Period	<u>\$1,315,574</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. Major program services include Hope for Kids, the Food Program and the Sister Church Program. Financial and volunteer resources are provided to linked churches in Haiti and include ministry training, medical teams, child education sponsorships, agronomy assistance, 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

Financial Statement Presentation

As promulgated by the FASB, effective January 1, 2018, instead of three classes of net assets, net assets are now classified into two classes based on the existence or absence of restrictions on the funds use by the donor. Accordingly, net assets of the Organization and changes thereof are classified and reported as follows:

- a) Without donor restrictions- those resources currently available without restriction but may be appropriated for particular use by the Board.
- b) With donor restrictions- those resources subject to donor restrictions which will be used for a particular purpose as designated by the donor.

As a result of this change, the net asset balances as of January 1, 2018 were reviewed and the treatment of certain asset classes which were Board appropriated were changed to reflect without donor restrictions rather than with donor restrictions. The amount of this change was an increase of \$93,323 in assets without donor restrictions and a decrease of \$93,323 in assets with donor restrictions.

All contributions are considered without donor restrictions 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 a money market account, which are locally here in Fort Myers.

Property and Equipment

Property and equipment used in the United States operations are capitalized at cost. Property and equipment for use in the foreign field is expensed when purchased or received. 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 generally using a straight-line method.

Revenues, Support and Expenses

Contribution income 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.

According to FASB guidance, the Organization reports gifts of cash and other assets as either assets with or without donor restrictions. Gifts of cash and other assets are recorded 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, assets with donor restrictions are reclassified to assets without donor restrictions and reported in the statement of activities as net assets released from donor 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 according to a computed percentage of estimated salaries in those areas.

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, approximately 250 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 \$598,752 in 2018. The amount received from one contributor of the food containers is 19.95% of total contributions in 2018.

Estimates

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

Concentration of Credit Risk

The Organization maintains checking and money market balances in banks in Fort Myers, Florida whose accounts are insured by the Federal Deposit Insurance Corporation up to a balance of \$250,000. There were amounts on deposit with four different banks that were not fully insured at December 31, 2018 in the total amount of approximately \$115,000.

NOTE 3- LIQUIDITY AND AVAILABLE OF FINANCIAL ASSETS

As newly promulgated by the FASB, the Organization is reporting \$1,319,574 in financial assets available within one year of December 31, 2018 to meet cash needs for general expenditures. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. It is the Organization's policy to stagger paying large amounts for its major program Hope for Kids. Its intent is to keep all cash funds in liquid accounts with maximum flexibility to address unforeseen demands such as flooding or emergency food needs.



RECIPROCAL MINISTRIES INTERNATIONAL, INC.  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment are as follows at December 31, 2018:

Office equipment and software	\$ 48,015
Capitalized lease of copier	3,500
Transportation equipment	34,916
Furniture and fixtures	<u>28,950</u>
Total	115,381
Less accumulated depreciation/amortization	<u>( 84,571)</u>
Net property and equipment	<u>\$ 30,810</u>

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

Depreciation/amortization in the amount of \$10,764 has been included in the statement of activities for the year ended December 31, 2018.

Property and equipment for use in Haiti is expensed in the year of purchase. An amount of \$38,978 was expensed in 2018. 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 5 – LONG TERM DEBT

The Organization financed the purchase of a copier with a lease accounted for as a capitalized lease. Payments of \$110 are being made for a period of 36 months at an interest rate of 8.2%. Payments ended in 2018.

NOTE 6 – 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 \$1,300 per month plus a storage facility is also rented. 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 2018 of approximately \$23,500.

RECIPROCAL MINISTRIES INTERNATIONAL, INC.  
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 – DONOR RESTRICTED NET ASSETS

Donor restricted net assets are available for the following purposes at December 31, 2018:

Haiti ministries	\$145,901
Management and field personnel, net	<u>347,203</u>
	<u>\$493,104</u>

NOTE 8 – LOANS TO OFFICERS

Loans with Board approval were given to two officers in prior years. Terms include repayment over thirty-four months and no interest.

Original balances	\$27,750
Less repayments	<u>23,750</u>
Balances	<u>\$ 4,000</u>

NOTE 9 -- RETIREMENT PLAN

The Organization has a 401K plan with a matching feature for employees contributing into the plan. An amount of \$18,304 was the matching amount that was recorded in 2018.

NOTE 10 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 22, 2019, the date which the financial statements were available to be issued.

RECIPROCAL MINISTRIES INTERNATIONAL, INC.  
Statement of Functional Expenses  
For the Year Ended December 31, 2018

	<u>Total</u>	<u>Programs Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>
Direct Costs	\$1,911,552	\$1,911,552	\$	\$
Salaries-Officers	213,884	120,841	62,343	30,700
Salaries- Staff	365,227	295,293	46,964	22,970
Employee Benefits	138,082	102,286	22,417	13,379
Payroll Taxes	40,556	29,597	7,238	3,721
Fees- Services	13,154	5,814	2,943	4,397
Office Expenses	62,159	38,954	13,478	9,727
Occupancy Costs	35,213	22,660	8,420	4,133
Travel	34,180	30,126	908	3,146
Transportation	30,724	24,921	3,892	1,911
Education	25,752	21,861	2,609	1,282
Equip/Vehicle Costs	38,978	38,978		
Interest/Fin Charges	22,111	12,601	6,379	3,131
Meals	8,959	5,445	2,044	1,470
Depreciation/Amort.	<u>10,764</u>	<u>6,134</u>	<u>3,106</u>	<u>1,524</u>
Total	<u>\$2,951,295</u>	<u>\$2,667,063</u>	<u>\$182,741</u>	<u>\$101,491</u>

See accompanying notes and independent accountant's review report.