

**FAMILY RECONCILIATION CENTER, INC.
NASHVILLE, TENNESSEE**

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Family Reconciliation Center, Inc.

I have audited the accompanying financial statements of Family Reconciliation Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statement of activities, statement of functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my audit opinion.

Jim Durham, CPA PLLC Registered Representative, Securities¹ offered through H.D. Vest Investment ServicesSM, Member: SIPC,
Advisory Services offered through H.D. Vest Advisory ServicesSM

Associate Member of

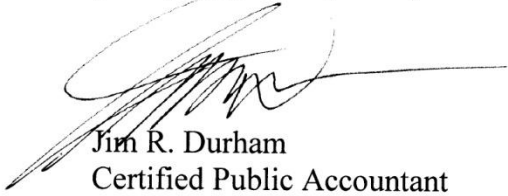


Jim Durham CPA PLLC is not a registered broker/dealer or independent investment advisory firm



Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Reconciliation Center, Inc. as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Jim R. Durham
Certified Public Accountant

May 9, 2014

**FAMILY RECONCILIATION CENTER, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013**

ASSETS

Current Assets:

Cash	<u>\$ 270,117</u>
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Total Current Assets	270,117
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Fixed Assets:

Property and Equipment	<u>966</u>
(Net of Accumulated Depreciation of \$30,917)	

Total Assets	<u><u>\$ 271,083</u></u>
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LIABILITIES AND NET ASSETS

Liabilities:

Accounts Payable	<u>\$ 591</u>
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Total Liabilities	591
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Net Assets:

Unrestricted	<u>270,492</u>
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Total Net Assets	<u>270,492</u>
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Total Liabilities & Net Assets	<u><u>\$ 271,083</u></u>
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The accompanying notes are an integral part of these financial statements.

FAMILY RECONCILIATION CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>2013</u>
UNRESTRICTED NET ASSETS:	
Revenues, Gains, and Other Support	
Gifts and Contributions	\$ 66,080
Dividends and Interest	4
Gain on Sell of Assets	<u>286,012</u>
 TOTAL INCOME	 352,096
 Expenses	
Program Services	83,697
Management and General	12,446
Fundraising	<u>4,932</u>
 TOTAL EXPENSES	 101,075
 Increase/(Decrease) in Net Assets	 251,021
 NET ASSETS AT JANUARY 1, 2013	 <u>19,471</u>
 NET ASSETS AT DECEMBER 31, 2013	 <u><u>\$ 270,492</u></u>
 Interest Paid	 \$ 874
Interest Expensed	\$ 874

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

FAMILY RECONCILIATION CENTER, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Wages	\$ 34,498	\$ 8,280	\$ 3,221	\$ 45,999
Insurance	1,074	258	101	1,433
Payroll Taxes	4,578	1,099	427	6,104
Depreciation	1,592	382	149	2,123
Office Supplies	5,198	-	-	5,198
Postage and Shipping	254	-	-	254
Travel and Meals	163	-	-	163
Guest House Operations	19,140	-	-	19,140
Rainbow House	1,778	427	166	2,371
Accounting	2,813	675	262	3,750
Bank Fees	34	34	-	68
Contract Services	7,301	-	-	7,301
Interest	551	157	166	874
Other Costs	4,723	1,134	440	6,297
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 83,697</u>	<u>\$ 12,446</u>	<u>\$ 4,932</u>	<u>\$ 101,075</u>

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

FAMILY RECONCILIATION CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase/(Decrease) in Net Assets	\$ 251,021
Depreciation	2,123
Decrease in Prepaid Expense	408
Decrease in Accounts Payable and Accrued Liabilities	(898)
Gain on sell of assets	<u>(286,012)</u>

Total Cash Provided by Operating Activities	(33,358)
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CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from the sale of assets	<u>311,797</u>
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Total Cash Provided by Investing Activities	311,797
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CASH FLOW FROM FINANCING ACTIVITIES:

Payments on Building Mortgage	<u>(26,266)</u>
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Total Cash Provided by Financing Activities	<u>(26,266)</u>
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NET INCREASE/(DECREASE) IN CASH	252,173
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CASH BALANCE- JANUARY 1, 2013	<u>17,944</u>
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CASH BALANCE- DECEMBER 31, 2013	<u><u>\$ 270,117</u></u>
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Supplemental Disclosures

Interest Paid	\$ 874
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The accompanying notes are an integral part of these financial statements.

FAMILY RECONCILIATION CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS

FAMILY RECONCILIATION CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Family Reconciliation Center, Inc. is a not-for-profit organization that was organized in 1984. Its mission is to provide services and programs to reach out to youth and families who are innocent victims of crime by promoting family unification, human rights, and advocacy to strengthen the family unit as a whole and reduce inter-generational incarceration.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting which are generally accepted accounting principles in the United States.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization 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, and permanently restricted net assets.

Property and Equipment

Property and equipment are carried at cost, or if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

Use of Estimates

The preparation of financial statements in conformity with 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 estimates.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(continued)

Contributed Services

Family Reconciliation Center, Inc. receives a small amount of services donated by people carrying out charitable missions. No amounts have been reflected in the financial statements for those services.

Income Tax

Family Reconciliation Center, Inc. qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and therefore has no provision for federal income taxes. The tax years that are open are 2011, 2012, and 2013.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value of the short maturities of those financial instruments.

Subsequent Events

Subsequent events have been evaluated through May 9, 2014 which is the date the financial statements were issued.

NOTE B – PLANT ASSETS AND DEPRECIATION

Depreciation of plant assets is calculated on the straight-line basis over the estimated useful lives of the assets. The cost of such assets at December 31, 2013 is as follows:

Equipment	\$ 12,752
Automobiles	<u>19,131</u>
Total	\$ 31,883
Less accumulated depreciation	<u>(30,917)</u>
	<u>\$ 966</u>

NOTE C – SELL OF ASSETS

On May 24th, the property located at 702 51st Avenue, Nashville, TN 37209 was sold for \$150,000. On August 15, 2013 the property located at 708 51st Avenue North, Nashville, TN 37209 was sold for \$185,000. These sells resulted in a realized gain of \$286,012.

NOTE D – FUNCTIONAL ALLOCATION OF EXPENSES

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