

RECONCILIATION MINISTRIES, INC.
NASHVILLE, TENNESSEE

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2007

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Reconciliation Ministries, Inc.

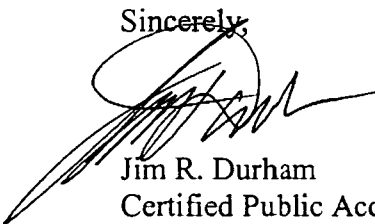
I have audited the accompanying statement of assets, liabilities, and net assets-income tax basis, of Reconciliation Ministries, Inc. (a nonprofit organization), as of December 31, 2007, and the related statements of revenues, expenses, and other changes in net assets-income tax basis, and changes in cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on the 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 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. I believe that my audit provides a reasonable basis for my opinion.

As described in Note A, these financial statements were prepared on the basis of accounting Reconciliation Ministries, Inc. uses for income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In my opinion, the financial statements referred to above presents fairly, in all material respects the assets, liabilities, and net assets of Reconciliation Ministries, Inc. as of December 31, 2007, and its revenues, expenses, and other changes in net assets for the year then ended on the basis of accounting described in Note A.

Sincerely,



Jim R. Durham
Certified Public Accountant

May 19, 2008

RECONCILIATION MINISTRIES, INC.
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS
DECEMBER 31, 2007

ASSETS

Cash and Interest-Bearing Deposits	\$ 26,130
Property and Equipment (Net of Accumulated Depreciation of \$132,119)	<u>61,190</u>
 Total Assets	 <u><u>\$ 87,320</u></u>

LIABILITIES AND NET ASSETS

Liabilities:

Payroll Tax Payable	\$ 1,239
Credit Cards Payable	4,128
Mortgage Payable	<u>57,608</u>
 Total Liabilities	 <u>62,975</u>

Net Assets:

Unrestricted	<u>24,345</u>
 Total Net Assets	 <u>24,345</u>

Total Liabilities & Net Assets	<u><u>\$ 87,320</u></u>
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The accompanying notes are an integral part of these financial statements.

RECONCILIATION MINISTRIES, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2007

UNRESTRICTED NET ASSETS:

Revenues and Gains	
Gifts and Contributions	\$ 102,536
Metro Government Grant	30,600
Dividends and Interest	28
Other Income	<u>1,468</u>
 TOTAL INCOME	 <u>134,632</u>
 Expenses	
Program Services	123,322
Management and General	26,217
Fundraising	<u>9,411</u>
 Total Expenses	 <u>158,950</u>
 Increase/(Decrease) in Net Assets	 (24,318)
 NET ASSETS AT JANUARY 1, 2007	 <u>48,663</u>
NET ASSETS AT DECEMBER 31, 2007	<u>\$ 24,345</u>

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

RECONCILIATION MINISTRIES, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2007

	<u>Program Services</u>	<u>Management & General</u>	<u>Fund- Raising</u>	<u>Total</u>
Salaries & Wages	\$ 62,513	\$ 15,003	\$ 5,835	\$ 83,351
Insurance	12,068	2,896	1,126	16,090
Payroll Taxes	5,999	1,440	560	7,999
Depreciation	5,831	1,412	549	7,792
Interest	2,744	650	253	3,647
Supplies	1,657	397	155	2,209
Postage & Shipping	1,313	-	-	1,313
Printing/Publications	1,902	-	-	1,902
Guest House Operations	6,897	-	-	6,897
Other Direct	1,849	433	168	2,450
Rainbow House	4,856	1,165	453	6,474
Accounting	2,016	2,016	-	4,032
Contract services	10,323	-	-	10,323
Rental Equipment	1,678	403	156	2,237
Other Costs	<u>1,676</u>	<u>402</u>	<u>156</u>	<u>2,234</u>
Total	<u>\$ 123,322</u>	<u>\$ 26,217</u>	<u>\$ 9,411</u>	<u>\$ 158,950</u>

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

RECONCILIATION MINISTRIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase/(Decrease) in Net Asset	\$ (24,318)	
Depreciation	7,792	
Accounts Payable and Accrued Liabilities	<u>(5,089)</u>	
 Total Cash Provided by Operating Activities		 \$ (21,615)

CASH FLOWS FROM INVESTING ACTIVITIES

Decrease of Short Term Investment	827	
Improvements	<u>(10,400)</u>	
 Total Cash Used by Investing Activities		 (9,573)

CASH FLOW FROM FINANCING ACTIVITIES

Payments on Building Mortgage	<u>(6,122)</u>	
 Total Cash Provided by Financing Activities		 <u>(6,122)</u>

NET INCREASE/(DECREASE) IN CASH		(37,310)
CASH BALANCE-JANUARY 1, 2007		<u>63,440</u>
CASH BALANCE-DECEMBER 31, 2007		\$ 26,130

The accompanying notes are an integral part to these financial statements

RECONCILIATION MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Reconciliation Ministries, Inc. is a not-for-profit organization that was organized in 1984. Its mission is to provide assistance to the families of incarcerated individuals by offering free room and board at a guesthouse and by holding weekly support groups for spouses and children.

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting-Income Tax basis. That basis differs from generally accepted accounting principles primarily because Reconciliation Ministries, Inc. has not recognized all possible receivables or accounts payable to vendors, and their related effects on the change in net assets.

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

Reconciliation Ministries, 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 Basis

Reconciliation Ministries, 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.

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.

In Kind Donations

Reconciliations Ministries received an in-kind donation of a roof. The roof's fair market value was estimated to be \$7,000. The in-kind contribution is recognized in income as a donation.

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, 2007 is as follows:

Land and Buildings	\$ 159,959
Equipment	14,219
Automobiles	<u>19,131</u>
Total	193,309
Less accumulated depreciation	<u>(132,119)</u>
	<u>\$ 61,190</u>

NOTE C – MORTGAGE NOTE PAYABLE

On April 29, 1996, Reconciliation Ministries, Inc. entered into a new mortgage loan of \$53,280.00. A portion of the loan was used to pay off an existing note payable of \$17,729.08 with the remaining balance used as part of the purchase of their new office at 708 51st Avenue North.

NOTE C – MORTGAGE NOTE PAYABLE-(continued)

The terms of the loan call for an interest rate of 8.00% with monthly payments of \$491.48 beginning June 1, 2002.

The future scheduled maturities of the mortgage are as follows:

Year ending December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	4,697	1,201	5,898
2009	5,030	868	5,898
2010	5,387	511	5,898
2011	<u>4,444</u>	<u>471</u>	<u>4,915</u>
Total	<u>\$ 19,558</u>	<u>\$ 3,051</u>	<u>\$ 22,609</u>

On October 5, 2006, Reconciliation Ministries, Inc. entered into a mortgage loan of \$40,807.56 for the 702 51st Avenue property.

The terms of the loan call for an interest rate of 8.00% with 60 monthly payments of \$ 389.98 beginning November 5, 2006. On November 5, 2011 the note will be called with the option to refinance.

Year ending December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	1,576	3,008	4,584
2009	1,707	2,877	4,584
2010	1,848	2,736	4,584
2011	<u>32,885</u>	<u>2,608</u>	<u>35,493</u>
Total	<u>\$ 38,016</u>	<u>\$ 11,229</u>	<u>\$ 49,245</u>

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.