

**RECONCILIATION, INC.
NASHVILLE, TENNESSEE**

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2011

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JIM R. DURHAM CPA PLLC

Nashville Office:

171- B Belle Forest Circle
Nashville, TN 37221
Phone 615.662.2808
Fax: 615.627.0163
Email: Jim@JimDurhamCPA.com
Website: www.JimDurhamCPA.com

Dickson Office:

318 E College Street, Ste 306
Dickson, TN 37055
615.441.5175
615.441.5211
Dickson@JimDurhamCPA.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Reconciliation, Inc.

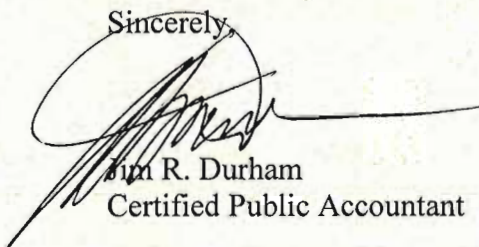
I have audited the accompanying statement of assets, liabilities, and net assets-income tax basis, of Reconciliation, Inc. (a nonprofit organization), as of December 31, 2011, and the related statements of revenues, expenses, and other changes in net assets-income tax basis, and changes in cash flows 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, 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, Inc. as of December 31, 2011, 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

June 11, 2012

Jim Durham, Registered Representative, Securities 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



RECONCILIATION, INC.
FINANCIAL STATEMENTS

RECONCILIATION, INC.
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS
DECEMBER 31, 2011

ASSETS

Current Assets:

Cash	\$ 12,720
Prepaid Expenses	<u>328</u>

Total Current Assets 13,048

Fixed Assets:

Property and Equipment	<u>32,402</u>
(Net of Accumulated Depreciation of \$162,840)	

Total Assets \$ 45,450

LIABILITIES AND NET ASSETS

Liabilities:

Mortgage Payable	<u>\$ 30,195</u>
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Total Liabilities 30,195

Net Assets:

Unrestricted	<u>15,255</u>
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Total Net Assets 15,255

Total Liabilities & Net Assets \$ 45,450

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

RECONCILIATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2011</u>
UNRESTRICTED NET ASSETS:	
Revenues and Gains	
Gifts and Contributions	\$ 70,338
Government Grant	31,205
Dividends and Interest	1
Other Income	<u>-</u>
 TOTAL INCOME	 101,544
 Expenses	
Program Services	78,960
Management and General	16,519
Fundraising	<u>6,354</u>
 TOTAL EXPENSES	 101,833
 Increase/(Decrease) in Net Assets	 (289)
 NET ASSETS AT JANUARY 1, 2011	 <u>15,544</u>
 NET ASSETS AT DECEMBER 31, 2011	 <u><u>\$ 15,255</u></u>

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

RECONCILIATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Wages	\$ 41,217	\$ 9,892	\$ 3,847	\$ 54,956
Taxes and Insurance	3,125	750	292	4,167
Payroll Taxes	3,465	831	323	4,619
Depreciation	4,510	1,082	421	6,013
Interest	2,782	668	260	3,710
Office Supplies	407	-	-	407
Postage and Shipping	332	-	-	332
Travel and Meals	1,631	-	-	1,631
Guest House Operations	8,125	-	-	8,125
Legal	816	196	76	1,088
Rainbow House	5,082	1,220	474	6,776
Accounting	3,825	919	357	5,101
Bank Fees	177	177	-	354
Contract Services	200	-	-	200
Other Costs	<u>3,266</u>	<u>784</u>	<u>304</u>	<u>4,354</u>
 Total	 <u><u>\$ 78,960</u></u>	 <u><u>\$ 16,519</u></u>	 <u><u>\$ 6,354</u></u>	 <u><u>\$ 101,833</u></u>

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

**RECONCILIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011**

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase/(Decrease) in Net Assets	\$ (289)
Depreciation	6,013
Accounts Receivable	-
Accounts Payable and Accrued Liabilities	<u>(1,317)</u>

Total Cash Provided by Operating Activities	4,407
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CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of Office Equipment	<u>(1,934)</u>
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Total Cash Provided by Investing Activities	(1,934)
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CASH FLOW FROM FINANCING ACTIVITIES:

Payments on Building Mortgage	<u>(6,241)</u>
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Total Cash Provided by Financing Activities	<u>(6,241)</u>
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NET INCREASE/(DECREASE) IN CASH	(3,768)
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CASH BALANCE- JANUARY 1, 2011	<u>16,488</u>
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CASH BALANCE- DECEMBER 31, 2011	<u>\$ 12,720</u>
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The accompanying notes are an integral part of these financial statements.

RECONCILIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Reconciliation, 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, 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, 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, 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.

Subsequent Events

Subsequent events have been evaluated through June 11, 2012, 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, 2011 is as follows:

Land and Buildings	\$ 159,959
Equipment	16,152
Automobiles	<u>19,131</u>
Total	\$ 195,242

Less accumulated depreciation (162,840)

\$ 32,402

NOTE C – MORTGAGE NOTE PAYABLE

On April 29, 1996, Reconciliation, 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 6.65% with 60 monthly payments of \$389.98 beginning December 19, 2011. On December 19, 2016 the note will be called with the option to refinance.

Year ending December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ <u>30,195</u>	\$ <u>3,710</u>	\$ <u>37,174</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.