

**RECONCILIATION, INC.  
NASHVILLE, TENNESSEE**

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

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**JIM R. DURHAM**  
CERTIFIED PUBLIC ACCOUNTANT

171-B BELLE FOREST CIRCLE  
NASHVILLE, TENNESSEE 37221

PHONE 615-662-2808  
FAX 615-627-0163  
www.myhdvest.com/jimdurham  
E-mail: Jim@JimDurhamCPA.com

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Reconciliation, Inc.

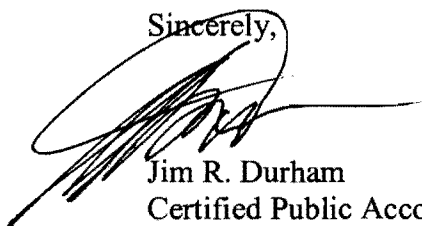
I have audited the accompanying statement of assets, liabilities, and net assets-income tax basis, of Reconciliation, Inc. (a nonprofit organization), as of December 31, 2010, and the related statements of revenues, expenses, and other changes in net assets-income tax basis, and changes in cash flows 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, 2010, 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 7, 2011

**RECONCILIATION, INC.**  
**FINANCIAL STATEMENTS**

**RECONCILIATION, INC.**  
**STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS**  
**DECEMBER 31, 2010**

**ASSETS**

**Current Assets:**

Cash	\$ 16,488
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<b>Total Current Assets</b>	<u>16,488</u>
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**Fixed Assets:**

Property and Equipment	<u>36,481</u>
(Net of Accumulated Depreciation of \$156,828)	

<b>Total Assets</b>	<u><u>\$ 52,969</u></u>
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**LIABILITIES AND NET ASSETS**

**Liabilities:**

Payroll Tax Payable	\$ 989
Mortgage Payable	<u>36,436</u>

Total Liabilities	37,425
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**Net Assets:**

Unrestricted	<u>15,544</u>
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<b>Total Net Assets</b>	<u>15,544</u>
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<b>Total Liabilities &amp; Net Assets</b>	<u><u>\$ 52,969</u></u>
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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, 2010**

	<u>2010</u>
<b>UNRESTRICTED NET ASSETS:</b>	
Revenues and Gains	
Gifts and Contributions	\$ 52,872
Government Grant	57,108
Dividends and Interest	1
Other Income	<u>277</u>
 TOTAL INCOME	 110,258
 Expenses	
Program Services	88,915
Management and General	15,271
Fundraising	<u>6,166</u>
 TOTAL EXPENSES	 110,352
 Increase/(Decrease) in Net Assets	 (94)
 NET ASSETS AT JANUARY 1, 2010	 <u>15,638</u>
 NET ASSETS AT DECEMBER 31, 2010	 <u><u>\$ 15,544</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, 2010**

	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Wages	\$ 40,792	\$ 9,790	\$ 3,807	\$ 54,389
Taxes and Insurance	5,810	1,394	542	7,746
Payroll Taxes	3,184	764	298	4,246
Depreciation	6,126	1,470	572	8,168
Interest	501	94	31	626
Office Supplies	2,246	539	210	2,995
Postage and Shipping	334	-	-	334
Travel and Meals	1,548	-	-	1,548
Guest House Operations	20,616	-	-	20,616
Other Direct	1,207	-	-	1,207
Rainbow House	1,940	349	298	2,587
Accounting	2,213	398	339	2,950
Bank Fees	301	301	-	602
Contract Services	1,380	-	-	1,380
Other Costs	717	172	69	958
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>\$ 88,915</u>	<u>\$ 15,271</u>	<u>\$ 6,166</u>	<u>\$ 110,352</u>

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

**RECONCILIATION, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Increase/(Decrease) in Net Assets	\$ (94)
Depreciation	8,168
Accounts Receivable	50
Accounts Payable and Accrued Liabilities	<u>989</u>

Total Cash Provided by Operating Activities	9,113
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**CASH FLOWS FROM INVESTING ACTIVITIES:**

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**CASH FLOW FROM FINANCING ACTIVITIES:**

Payments on Building Mortgage	<u>(8,072)</u>
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Total Cash Provided by Financing Activities	<u>(8,072)</u>
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<b>NET INCREASE/(DECREASE) IN CASH</b>	1,041
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<b>CASH BALANCE- JANUARY 1, 2010</b>	<u>15,447</u>
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<b>CASH BALANCE- DECEMBER 31, 2010</b>	<u><u>\$ 16,488</u></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, 2010**

**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 7, 2011, 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, 2010 is as follows:

Land and Buildings	\$ 159,959
Equipment	14,219
Automobiles	<u>19,131</u>
Total	193,309
Less accumulated depreciation	<u>(156,828)</u>
	<u>\$ 36,481</u>

## **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 51<sup>st</sup> 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 balance of the loan is scheduled to be paid off in January 2011. The future scheduled maturities of the mortgage are as follows:

Year ending December 31:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ <u>1,978</u>	\$ <u>26</u>	\$ <u>2,004</u>

On October 5, 2006, Reconciliation, Inc. entered into a mortgage loan of \$40,807.56 for the 702 51<sup>st</sup> 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>
2011	\$ <u>34,458</u>	\$ <u>2,432</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.