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RECIPROCAL MINISTRIES INTERNATIONAL, INC.

AUDITED FINANCIAL STATEMENTS

APRIL 30, 2006 AND 2005



INDEPENDENT AUDITOR'S REPORT

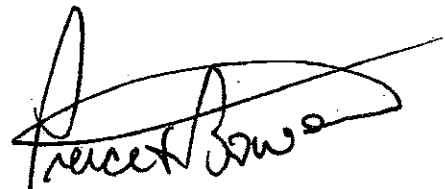
May 1, 2007

To the Board of Directors
Reciprocal Ministries International, Inc.

We have audited the accompanying statement of financial position of Reciprocal Ministries International, Inc. (a nonprofit organization) as of April 30, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Reciprocal Ministries International, Inc. as of April 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.



RECIPROCAL MINISTRIES INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION
As of April 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 119,785	\$ 97,012
Refunds receivable	2,308	-
Prepaid expenses	<u>588</u>	<u>481</u>
Total Current Assets	<u>122,681</u>	<u>97,493</u>
Noncurrent Assets		
Property & equipment	15,777	8,052
Security deposits	<u>300</u>	<u>922</u>
Total Noncurrent Assets	<u>16,077</u>	<u>8,974</u>
TOTAL ASSETS	<u>\$ 138,758</u>	<u>\$ 106,467</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable & accrued expenses	\$ 9,256	\$ 47,811
Current portion of long term debt	<u>-</u>	<u>3,551</u>
Total Current Liabilities	<u>9,256</u>	<u>51,362</u>
Long Term Debt	<u>-</u>	<u>-</u>
Net Assets		
Unrestricted	23,375	(23,525)
Temporarily restricted	105,227	77,730
Permanently restricted	<u>900</u>	<u>900</u>
Total Net Assets	<u>129,502</u>	<u>55,105</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 138,758</u>	<u>\$ 106,467</u>

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

RECIPROCAL MINISTRIES INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
For the Years Ended April 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenues, gains and other support:		
Contributions	\$ 394,101 L	\$ 28,762
Administrative fees	121,435 L	113,742
Miscellaneous income	1,820 L	2,257
Interest	667 L	868
Special events	<u>11,150 L</u>	<u>7,115</u>
Total unrestricted revenues, gains and other support	<u>529,173</u>	<u>152,544</u>
Net assets released from restrictions:		
Satisfaction of program restrictions	<u>643,476</u>	<u>848,444</u>
Total net assets released from restrictions	<u>643,476</u>	<u>848,444</u>
Total unrestricted revenues, gains and other support	<u>1,172,649</u>	<u>1,000,988</u>
Expenses and losses:		
Program services	982,533 S	880,144
Fund raising	17,144 S	17,332
Management and general	119,247 S	117,842
Depreciation	5,527 S	9,195
Loss on asset dispositions	<u>1,298 L</u>	<u>-</u>
Total expenses and losses	<u>1,125,749</u>	<u>1,024,513</u>
INCREASE (DECREASE) IN NET ASSETS	<u>46,900</u>	<u>(23,525)</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Revenues, gains and other support:		
Contributions	670,973 L	871,761
Net assets released from restrictions	<u>(643,476)</u>	<u>(848,444)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>27,497</u>	<u>23,317</u>
INCREASE (DECREASE) IN NET ASSETS	74,397	(208)
NET ASSETS BEGINNING OF YEAR	<u>55,105</u>	<u>55,313</u>
NET ASSETS END OF YEAR	<u>\$ 129,502</u>	<u>\$ 55,105</u>

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

RECIPROCAL MINISTRIES INTERNATIONAL, INC.
STATEMENT OF CASH FLOWS
For the Years Ended April 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets:	\$ 74,397	\$ (208)
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation	5,527	9,195
Loss on asset dispositions	1,298	-
(Increase) Decrease in:		
Refunds receivable	(2,308)	-
Prepaid expenses	(107)	63
Security deposits	622	-
Increase (Decrease) in:		
Accounts payable & accrued expenses	<u>(38,555)</u>	<u>15,355</u>
Total adjustments	<u>(33,523)</u>	<u>24,613</u>
Net cash provided by (used) in operating activities	<u>40,874</u>	<u>24,405</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of assets	<u>(14,550)</u>	<u>(5,090)</u>
Net cash (used) in investing activities	<u>(14,550)</u>	<u>(5,090)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment on long term debt	<u>(3,551)</u>	<u>(3,923)</u>
Net cash (used) in financing activities	<u>(3,551)</u>	<u>(3,923)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	22,773	15,392
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>97,012</u>	<u>81,620</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 119,785</u>	<u>\$ 97,012</u>
<u>SUPPLEMENTAL DATA:</u>		
INTEREST PAID	<u>\$ 105</u>	<u>\$ 516</u>
INCOME TAXES PAID	<u>\$ -</u>	<u>\$ -</u>

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

RECIPROCAL MINISTRIES INTERNATIONAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2006 and 2005

NOTE 1 - NATURE OF ORGANIZATION

Reciprocal Ministries International, Inc. is a non-profit corporation dedicated to spreading the Gospel of Jesus Christ through establishing, developing and promoting all aspects of church ministry and missionary activity in the Third World.

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

The financial statements have been prepared on the accrual basis. The significant accounting policies are summarized below:

Display of Net Assets by Class

The financial statements report amounts separately by class of net assets:

- a) Unrestricted amounts are those currently available at the discretion of the board for use in the Organization's ministries, and those resources invested in land, furniture and office equipment.
- b) Expendable temporarily restricted amounts are those which are restricted by the donors for specific operating purposes.
- c) Permanently restricted amounts are those which can never be spent due to donor restrictions.

All contributions are considered available for unrestricted use, unless specifically restricted by the donor or other legal restrictions.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in interest-bearing checking and money market accounts.

Property and Equipment

Property and equipment are capitalized at cost. Donated assets to be used in the ministry are capitalized 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 principally by the straight-line method.

RECIPROCAL MINISTRIES INTERNATIONAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2006 and 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues, Support and Expenses

Contribution income is recorded when cash is received or when ownership of donated assets is transferred. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

The Organization reports gifts of cash and other assets 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization allocates a predetermined percentage of certain donations received to administrative fee income. This allocation is to recognize the overhead attributable to ministry functions and to establish funding for overhead activities.

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 statement of activities. Accordingly, certain costs have been allocated among the program and supporting activities.

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 those 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. Nevertheless, a substantial number of volunteers have donated significant amounts of their time in the Organization's program services.

Estimates

The preparation of financial statements in conformity with U.S. 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 estimated.

RECIPROCAL MINISTRIES INTERNATIONAL, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 April 30, 2006 and 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk

The Organization maintains cash balances in a bank whose accounts are insured by the Federal Deposit Insurance Corporation up to \$100,000. At times these accounts exceed federally insured limits. The amount in excess of FDIC limits was \$8,040 and \$4,435 at April 30, 2006 and 2005, respectively.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment are as follows:

	<u>2006</u>	<u>2005</u>	<u>Estimated Useful Life in Years</u>
Office furniture and equipment	\$ 21,256	\$ 29,220	5-7
Transportation equipment	<u>21,803</u>	<u>21,803</u>	5
	43,059	51,023	
Less accumulated depreciation	<u>27,282</u>	<u>(42,971)</u>	
Net fixed assets	<u>\$ 15,777</u>	<u>\$ 8,052</u>	

Depreciation in the amounts of \$5,527 and \$9,195 have been allocated to supporting activities in the statement of activities for the years ended April 30, 2006 and 2005, respectively.

NOTE 4 - LONG TERM DEBT

Long term debt is as follows at April 30:

	<u>2006</u>	<u>2005</u>
9% installment note payable \$370 monthly, including interest, secured by transportation equipment, due March, 2006	\$ -	\$ 3,551
	-	3,551
Less current portion	-	<u>3,551</u>
	<u>\$ -</u>	<u>\$ -</u>

RECIPROCAL MINISTRIES INTERNATIONAL, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 April 30, 2006 and 2005

NOTE 5 - LEASING ARRANGEMENTS

The Organization conducts its operations from facilities that are leased under an operating lease expiring December, 2008. The Organization also leases office equipment under an operating lease expiring November, 2010.

Minimum future rental payments under the non-cancelable operating leases having terms in excess of 1 year as of April 30, 2006, for each of the next 5 years and in aggregate are:

<u>Year Ended April 30</u>	<u>Amount</u>
2007	\$ 21,020
2008	21,020
2009	14,853
2010	2,520
2011	<u>1,260</u>
 Total minimum future rental payments	 <u>\$ 60,673</u>

Rental expense was \$13,726 and \$12,600 for the years ended April 30, 2006 and 2005, respectively.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Mission activities:	
Haiti ministries	\$ 18,625
Jamaica ministries	65,644
Guatemala ministries	<u>20,958</u>
	<u>\$ 105,227</u>

NOTE 7 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to:

Endowment requiring principal to be maintained permanently and earnings to be used for RMI operations	<u>\$ 900</u>
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