

LEADERSHIP RESOURCES INTERNATIONAL

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2016



Robert J. Workman

Certified Public Accountant

(708) 532-0405

LEADERSHIP RESOURCES INTERNATIONAL

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Robert J. Workman

Certified Public Accountant

8201 W. 183rd Street
Unit B
Tinley Park, Illinois 60487

(708) 532-0405
Fax (708) 532-0451
email: rworkmancpa@aol.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Leadership Resources International
Palos Heights, Illinois

I have audited the accompanying financial statements of Leadership Resources International as of December 31, 2016, which comprise the statement of balance sheet and the related statements of activities, changes in net assets 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 U.S. generally accepted accounting principles; 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 audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 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 have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Leadership Resources International as of December 31, 2016 and their Statements of Activities, changes in net assets and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Robert J. Workman
Certified Public Accountant

May 31, 2017

Leadership Resources International
Balance Sheet
December 31, 2016

ASSETS

Current Assets:

Cash and Equivalents	<u>\$1,058,696</u>
Total Current Assets	<u>1,058,696</u>

Fixed Assets:

Land	75,269
Building and Equipment	608,612
Accumulated Depreciation	<u>(361,318)</u>

Net Fixed Assets	<u>322,563</u>
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Total Assets	<u>\$1,381,259</u>
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LIABILITIES

Accounts Payable and Accrued Expenses	<u>\$ 14,039</u>
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Total Liabilities	<u>14,039</u>
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NET ASSETS

Temporarily Restricted Net Assets:

International Ministry	528,461
Staff Support	488,459
Bolthouse Grant	<u>0</u>

Total Temporarily Restricted Net Assets	<u>1,016,920</u>
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Unrestricted Net Assets:

Equity in Land, Building and Equipment	322,563
Undesignated – available for operations	<u>27,737</u>

Total Unrestricted Net Assets	<u>350,300</u>
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Total Net Assets	<u>1,367,220</u>
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Total Liabilities and Net Assets	<u>\$1,381,259</u>
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The accompanying notes are an integral part of these financial statements.

Leadership Resources International
Statement of Activities
For the year ended December 31, 2016

<u>Support and Revenue</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Contributions and other fundraising activities	\$ 563,050	\$2,569,929	\$3,132,979
Net Assets Released by satisfaction of Program Restrictions	<u>2,710,866</u>	<u>(2,710,866)</u>	<u>0</u>
	<u>3,273,916</u>	<u>(140,937)</u>	<u>3,132,979</u>
Expenses:			
Program Services	2,411,845	0	2,411,845
Support Activities:			
Management and General	578,861		578,861
Fundraising	<u>345,904</u>	<u>0</u>	<u>345,904</u>
Total Expenses	<u>3,336,610</u>	<u>0</u>	<u>3,336,610</u>
Change in Net Assets	(62,694)	(140,937)	(203,631)
Net Assets, December 31, 2015	<u>412,994</u>	<u>1,157,857</u>	<u>1,570,851</u>
Net Assets, December 31, 2016	<u>\$ 350,300</u>	<u>\$1,016,920</u>	<u>\$1,367,220</u>

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

Leadership Resources International
Statement of Cash Flows
For the year ended December 31, 2016

Cash flows from Operating Activities:

Cash received from contributors	\$ 3,132,979
Cash paid to employees and suppliers	<u>(3,287,315)</u>
Net cash provided by operating activities	<u>(154,336)</u>

Cash flows from Investing Activities:

(Purchases) disposal of property and equipment	<u>0</u>
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Cash flows from Financing Activities:

Increase (decrease) in credit line	<u>(0)</u>
Net increase (decrease) in cash	<u>(154,336)</u>

Cash, beginning of year	<u>1,213,032</u>
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Cash, end of year	<u>\$1,058,696</u>
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Reconciliation of change in net assets to net cash
Provided (used) by operating activities:

Cash flows from Operating Activities:	
Changes in net assets	(\$ 203,631)

Adjustments to reconcile change in net assets to
Net cash provided (used) by operating activities:

Depreciation	22,952
(Increase) decrease in inventory	30,806
Increase (decrease) in accounts payable accrued expenses	<u>(4,463)</u>
Total adjustments	<u>49,295</u>
Net cash provided (used) by operating activities	<u>(\$ 154,336)</u>

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

Leadership Resources International
Notes to the Financial Statements
December 31, 2016

1. Nature of Organization

Leadership Resources International (LRI) is an international mission agency focusing on leadership development. LRI pursues this goal through the ministry of teaching the Scriptures and through an extensive publishing ministry. The mission of LRI is to help develop biblically trained national pastors and church leaders to disciple local congregations.

LRI seeks to strengthen local churches and equip and encourage church leaders in North America, Latin America, Russia Africa and restricted access countries in Asia by means of the following:

- Bible seminars in local churches or church retreat setting. Each seminar focuses on a particular area of spiritual growth or on ministry issues, such as family relationships, prayer, Bible study, missions, etc.
- Pastor training workshops in retreat settings, usually in the two-thirds world. Pastors are provided with a pastors' library set and taught a mini-Bible institute by national/bilingual staff. Subjects include the inductive Bible study method, homiletics, counseling, administration and leadership
- Pastor and missionary seminars in retreat / annual conference settings. In-depth Bible teaching to encourage those involved in full time ministry, focusing on ministry, family and personal issues, including burnout.
- Publishing books and tapes on personal growth, church, family and ministry issues, which reinforce the various seminars and workshops presented.

Support for LRI's ministries comes primarily from donor contributions and publication sales.

LRI is a not-for-profit organization incorporated under the Illinois General Not-for-Profit Corporation Act. LRI is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Code. Contributions from LRI are deductible within the limitations prescribed by the Code.

2. Significant Accounting Policies:

LRI prepares its financial statements on the accrual basis of accounting. 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 estimates. The significant accounting policies followed are described below.

Leadership Resources International
Notes to the Financial Statements
December 31, 2016

Cash and Equivalents

Cash and cash equivalents consist of amounts readily available in checking and money market accounts. LRI's cash and cash equivalents are deposited in two financial institutions. From time to time, deposits may exceed federally insured limits. LRI has not experienced any losses on its cash and cash equivalents and does not believe it is exposed to any significant credit risk related to these accounts.

Inventory

Inventory has become immaterial and insignificant to the operations of the ministry and the Company has determined to recognize costs of publishing when made and expense in the then current year.

Land, Buildings and Equipment

Land, buildings and equipment of \$300 or more are recorded at cost, or if donated, at approximate fair market value at the date of the donation. Depreciation is computed using the straight – line method over the estimated useful lives of the assets, which range from 5 – 40 years.

Classes of Net Assets

The financial statements report net assets in separate classes based on the presence or absence of donor restrictions, as follows:

Unrestricted net assets are those currently available for ministry purposes under the direction of the Board of Directors, those designated by the Board for an operating use and for those invested in land, buildings and equipment.

Temporarily restricted net assets are those contributed with donor stipulations for specific operating purposes or programs. They are not currently available for use in LRI's ministries until commitments regarding their use have been fulfilled.

Support, revenue, reclassifications and expenses:

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made or ownership of other assets is transferred. Expenses are recorded when costs are incurred. LRI relies heavily on a concentration of supporters.

Leadership Resources International
Notes to the Financial Statements
December 31, 2016

A substantial number of unpaid volunteers have made contributions of their time to LRI. These contributed services are not reported as they do not meet the necessary accounting criteria.

LRI reports amounts received for general ministry purposes and those received with donor imposed restrictions, which are expended in the same fiscal year as received, as unrestricted. Current year amounts received for specific ministry programs, which have not yet been expended at year end, are reported as temporarily restricted contributions. When such amounts are expended for the specific ministry program in future periods, they are reclassified to the unrestricted class and reported in the statements of activities as net assets released from restrictions. International ministry contributions are subject to a 35% assessment, which is used for general and administrative expenses and staff support. Assessments are classified as unrestricted contributions at the time the contributions are received.

Functional Allocation of Expenses

The costs of providing various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited based on analysis by management.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period.

3. Land, Building and Equipment

Land, building and equipment consist of the following:

Land	\$ 75,269
Building	444,864
Equipment	<u>163,748</u>
	683,881
Less: accumulated depreciation	<u>(361,318)</u>
	\$ 322,563

Leadership Resources International
Notes to the Financial Statements
December 31, 2016

4. Lease Commitments

LRI has several non-cancelable operating lease for a copy and facsimile machine. These leases have various termination dates but are 36 month leases.

5. Bank Line of Credit

LRI opened a bank line of credit with a commercial bank allowing for maximum borrowings of \$100,000 of which \$0 was outstanding at December 31, 2016. Interest is due monthly at a rate of prime with a minimum of 5%. The line of credit is secured by the property at 12575 Ridgeland Avenue in Palos Heights, Illinois.

6. Retirement Plan

Any employee with one or more years of services and earns at least \$5,000 per calendar year may elect to participate in the SIMPLE IRA plan. LRI contributes a matching amount which is the lesser of the employee's elective deferral or 3% of compensation. Contributions totaled \$ 39,282 during the year ended December 31, 2016.