

LEADERSHIP RESOURCES INTERNATIONAL

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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, 2018 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

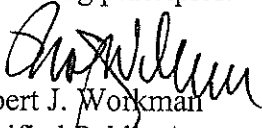
My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about 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, 2018 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
July 17, 2019

Leadership Resources International
Balance Sheet
December 31, 2018

ASSETS

Current Assets:

Cash and Equivalents	\$1,500,369
Short Term Investments (Note 4)	<u>300,490</u>
Total Current Assets	<u>1,800,859</u>

Fixed Assets:

Land	75,269
Building and Equipment	608,612
Accumulated Depreciation	<u>(407,223)</u>
Net Fixed Assets (Note 3)	<u>276,658</u>
Total Assets	<u>\$2,077,517</u>

LIABILITIES

Accounts Payable and Accrued Expenses	\$ <u>9,802</u>
Total Liabilities	<u>9,802</u>

NET ASSETS

Temporarily Restricted Net Assets:

International Ministry	421,877
Staff Support	<u>409,619</u>
Total Temporarily Restricted Net Assets	<u>831,496</u>

Unrestricted Net Assets:

Equity in Land, Building and Equipment	276,658
Undesignated – available for operations	<u>959,561</u>
Total Unrestricted Net Assets	<u>1,236,219</u>
Total Net Assets	<u>2,067,715</u>
Total Liabilities and Net Assets	<u>\$2,077,517</u>

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

Leadership Resources International
Statement of Activities
For the year ended December 31, 2018

<u>Support and Revenue</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Contributions and other fundraising activities	\$ 1,885,981	\$2,486,647	\$4,372,628
Net Assets Released by satisfaction of Program Restrictions	<u>2,554,074</u>	<u>(2,554,074)</u>	<u>0</u>
	<u>4,440,055</u>	<u>(67,427)</u>	<u>4,372,628</u>
Operating Expenses:			
Program Services	2,594,505	0	2,594,505
Support Activities:			
Management and General	467,057		467,057
Fundraising	<u>600,403</u>	<u>0</u>	<u>600,403</u>
Total Expenses	<u>3,661,965</u>	<u>0</u>	<u>3,661,965</u>
Operating Income (Expense)	778,090	<u>(67,427)</u>	710,663
Other Income (Expense):			
Investment Income (Loss) (Note 4)	<u>2,905</u>	<u>0</u>	<u>2,905</u>
Excess (Deficit) Revenue over Expenditures	780,995	<u>(67,427)</u>	713,568
Net Assets, December 31, 2017	<u>455,224</u>	<u>898,923</u>	<u>1,354,147</u>
Net Assets, December 31, 2018	<u>\$ 1,236,219</u>	<u>\$ 831,496</u>	<u>\$2,067,715</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, 2018

Cash flows from Operating Activities:

Cash received from contributors	\$ 4,372,628
Cash paid to employees and suppliers	(3,654,181)
Net cash provided by operating activities	<u>718,447</u>

Cash flows from Investing Activities:

Purchase of Investments	(297,585)
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Cash flows from Financing Activities:

Increase (decrease) in credit line	(0)
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Net increase (decrease) in cash	420,862
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Cash, beginning of year	<u>1,079,507</u>
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Cash, end of year	<u>\$1,500,369</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	\$ 710,663
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Adjustments to reconcile change in net assets to
Net cash provided (used) by operating activities:

Depreciation	22,952
Increase (decrease) in accounts payable accrued expenses	(15,168)
Total adjustments	<u>7,784</u>
Net cash provided (used) by operating activities	<u>\$ 718,447</u>

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

Leadership Resources International
Notes to the Financial Statements
December 31, 2018

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, 2018

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>(407,223)</u>
	\$ 276,658

Leadership Resources International
Notes to the Financial Statements
December 31, 2018

4. Investments

A summary of the composition of LRI portfolio at December 31, 2018 is as follows:

Cash and cash equivalents	\$ 4,364
Fixed income bonds	<u>296,126</u>
Total	<u>\$ 300,490</u>

Investment income consists of the following:

Interest income	\$ 5,730
Net Unrealized gain or loss on investments	<u>(2,825)</u>
Total	<u>\$ 2,905</u>

5. Fair Value

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following table presents information about LRI assets' measure at fair value and the valuation techniques used by LRI to determine those values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that LRI has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. LRI's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Leadership Resources International
Notes to the Financial Statements
December 31, 2018

5. Fair Value (continued)

	Level 1	Level 2	Level 3	Balance at December 31, 2018
Fixed income bonds	<u>\$300,490</u>			<u>\$300,490</u>
Total investments	<u>\$300,490</u>	<u>0</u>	<u>0</u>	<u>\$300,490</u>

The LRI policy is to recognize transfers in and transfers out of Level 1,2, and 3 fair value classifications as of the actual date of the event of the change in circumstances that caused the transfer. There were no transfers into or out of Levels 1, 2 or 3 for the year.

LRI does not invest in alternative investments.

6. 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.

7. Bank Line of Credit

LRI allowed a bank line of credit to not renew during fiscal year 2018. As of December 31, 2017 the line of credit allowed for maximum borrowings of \$100,000 of which \$0 was outstanding at December 31, 2017. 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.

8. 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 \$ 47,723 during the year ended December 31, 2018.

9. Functional Expenses

LRI provides education and training focusing on leadership development. Expenses related to providing these services for the fiscal year are:

Program	\$2,594,505
General and Administrative	467,057
Fundraising	<u>600,403</u>
Total	<u>\$3,661,965</u>