

LEADERSHIP RESOURCES INTERNATIONAL

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2019



Robert J. Workman

*Certified Public Accountant*

(708) 532-0405

LEADERSHIP RESOURCES INTERNATIONAL

TABLE OF CONTENTS

Independent Auditor's Report	1
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7



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, 2019 which comprise the statements of financial position and the related statements of activities, statements of functional expenses 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.

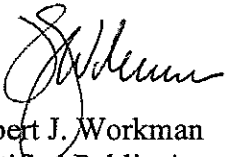
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**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, 2019 and the changes in their net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

Leadership Resources International has adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. This has had a material effect on the presentation of the December 31, 2019 financial statements.



Robert J. Workman  
Certified Public Accountant  
July 17, 2020

Leadership Resources International  
Statement of Financial Position  
December 31, 2019

ASSETS

Current Assets:

Cash and Equivalents	\$1,323,524
Short Term Investments (Note 4)	<u>658,125</u>

Total Current Assets	<u>1,981,649</u>
----------------------	------------------

Fixed Assets:

Land	75,269
Building and Equipment	892,450
Accumulated Depreciation	<u>( 419,544)</u>

Net Fixed Assets (Note 3)	<u>548,175</u>
---------------------------	----------------

Total Assets	<u>\$2,529,824</u>
--------------	--------------------

LIABILITIES

Accounts Payable and Accrued Expenses	<u>\$ 26,643</u>
---------------------------------------	------------------

Total Liabilities	<u>26,643</u>
-------------------	---------------

NET ASSETS

Temporarily Restricted Net Assets:

International Ministry	( 13,859)
Staff Support	<u>355,134</u>

Total Temporarily Restricted Net Assets	<u>341,275</u>
---	----------------

Unrestricted Net Assets:

Equity in Land, Building and Equipment	548,175
Undesignated – available for operations	<u>1,613,731</u>

Total Unrestricted Net Assets	<u>2,161,906</u>
-------------------------------	------------------

Total Net Assets	<u>2,503,181</u>
------------------	------------------

Total Liabilities and Net Assets	<u>\$2,529,824</u>
----------------------------------	--------------------

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

Leadership Resources International  
Statement of Activities  
For the year ended December 31, 2019

<u>Support and Revenue</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Contributions and other fundraising activities	\$ 2,755,763	\$2,473,208	\$5,228,971
Investment Income	<u>42,329</u>	<u>0</u>	<u>42,329</u>
Total Revenue	2,798,092	2,473,208	5,271,300
Net Assets Released by satisfaction of Program Restrictions	<u>2,963,429</u>	<u>(2,963,429)</u>	<u>0</u>
	<u>5,761,521</u>	<u>( 490,221)</u>	<u>5,271,300</u>
Operating Expenses:			
Program Services	3,553,274	0	3,553,274
Support Activities:			
Management and General	568,183		568,183
Fundraising	<u>714,377</u>	<u>0</u>	<u>714,377</u>
Total Expenses	<u>4,835,834</u>	<u>0</u>	<u>4,835,834</u>
Change in Net Assets	925,687	( 490,221)	435,466
Net Assets, December 31, 2018	<u>1,236,219</u>	<u>831,496</u>	<u>2,067,715</u>
Net Assets, December 31, 2019	<u>\$ 2,161,906</u>	<u>\$ 341,275</u>	<u>\$2,503,181</u>

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

Leadership Resources International  
Statement of Functional Expenses  
For the year ended December 31, 2019

Supporting Activities

	Program	General and Administrative	Fundraising	Total
Salary and Benefits	\$2,105,794	\$379,230	\$513,873	\$2,998,897
Airfare	408,290	9,721	13,412	431,423
Bank Service Charges	1,830	1,829	0	3,659
Cash Advance	66,739	0	0	66,739
Computer/Hardware/Software	99,412	17,243	25,177	141,832
Contract Services/Consultants	127,119	44,669	48,638	220,426
Credit Card Processing Fee	4,595	4,594	0	9,189
Depreciation	0	12,322	0	12,322
Dues & Subscriptions	1,314	1,313	3,941	6,568
Entertaining	1,582	175	1,758	3,515
Exterior Maintenance and Repair	0	15,128	0	15,128
Foreign Liability Insurance	9,795	0	0	9,795
Promotion	5,904	1,968	1,968	9,840
Interior Maintenance and Repair	0	3,230	0	3,230
Lodging	119,131	4,253	6,086	129,470
Meals	50,672	4,223	29,559	84,454
Multiplication Training	325,006	0	0	325,006
Office Equipment Rental/Leasing	11,584	5,791	11,584	28,959
Other Expense (Miscellaneous)	3,568	2,676	2,676	8,920
Other Travel Costs	15,876	3,402	3,402	22,680
Outsource Printing	0	6,313	25,250	31,563
Paper	1,155	577	1,155	2,887
Postage/Freight	3,662	3,661	10,985	18,308
Registration Fees	0	14,540	0	14,540
Sales Tax	0	42	166	208
Stipends	123,016	0	0	123,016
Supplies	4,336	2,168	2,168	8,672
Transportation	62,894	8,386	12,579	83,859
Utilities	0	20,111	0	20,111
Website	0	618	0	618
<b>Total Expenses</b>	<b>\$3,553,274</b>	<b>\$568,183</b>	<b>\$714,377</b>	<b>\$4,835,834</b>

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

Leadership Resources International  
Statement of Cash Flows  
For the year ended December 31, 2019

Cash flows from Operating Activities:

Change in net assets \$ 435,466

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

Depreciation 12,322

Net increase (decrease) in accounts payable 16,841

Net cash provided by operating activities 464,629

Cash flows from Investing Activities:

Purchase of Investments ( 357,635)

Purchase of building improvements ( 283,839)

Net cash supplied (used) in investing activities ( 641,474)

Cash flows from Financing Activities:

Increase (decrease) in credit line ( 0)

Net increase (decrease) in cash ( 176,845)

Cash, beginning of year 1,500,369

Cash, end of year \$1,323,524

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



Leadership Resources International  
Notes to the Financial Statements  
December 31, 2019

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, 2019

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 of loss due to the lack of federal insurance coverage.

Investments

Investments consist of certificates of deposit and fixed income mutual funds, which are recorded at fair market value. Realized and unrealized gains and losses are included as revenue without donor restrictions in the statements of activities. Donated investments are recorded at the fair value on the date of donation and thereafter carried in accordance with the above provisions.

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:

*Net assets without donor restrictions* 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.

*Net assets with donor* 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.

Leadership Resources International  
Notes to the Financial Statements  
December 31, 2019

Support, revenue, reclassifications and expenses:

Contributions are recorded when made, which may be when cash or other assets are received or unconditional promises are made. Contributions are reported as restricted contributions if they are received with donor stipulations that limit the use of the donated amounts. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. All contributions are considered available for general use unless specifically restricted by the donor. All donations postmarked by the end of the fiscal year are recognized as support and revenue in that year.

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.

Functional Allocation of Expenses

The statement of functional expenses report certain categories of expenses that are attributable to program or support activities of Leadership Resources International. 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.

Adoption of New Accounting Standard

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added including liquidity and the availability of resources (note 5) and disclosures related to functional allocation of expenses were expanded (see above). Adoption of this standard had no effect on the change in net assets by class of net assets or in the total.

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.

Leadership Resources International  
Notes to the Financial Statements  
December 31, 2019

3. Land, Building and Equipment

Land, building and equipment consist of the following:

Land	\$ 75,269
Building	444,864
Building Renovation	283,838
Equipment	<u>163,748</u>
	967,719
Less: accumulated depreciation	<u>( 419,544)</u>
	\$ 548,175

4. Investments and Fair Value Measurements

A summary of the composition of LRI portfolio at December 31, 2019 is as follows:

Cash and cash equivalents	\$ 132,644
Stocks	4,415
Fixed income bonds	<u>521,066</u>
Total	<u>\$ 658,125</u>

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.

7. Bank Line of Credit

LRI allowed a bank line of credit to not renew during fiscal year 2019. As of December 31, 2019 the line of credit allowed for maximum borrowings of \$100,000 of which \$0 was outstanding at December 31, 2019. 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 \$ 56,447 during the year ended December 31, 2019.

9. Functional Expenses

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

Program	\$3,553,274
General and Administrative	568,183
Fundraising	<u>714,377</u>
Total	\$4,835,834

10. Subsequent Events

Subsequent events were evaluated through July 27, 2020, which is the date the financial statements were available to be issued. During the beginning of 2020, the world was struck with a pandemic which also struck the USA and therefore LRI. The US Small Business Administration was authorized by Congress through the CARES Act (Coronavirus Aid, Relief and Economic Security Act) to lend to employers funds under SBA Section 7(b)(2) commonly referred to the Paycheck Protection Program. LRI borrowed \$545,215 pursuant to the terms of this program. LRI is eligible under the terms of this financing for loan forgiveness as stipulated by the CARES Act and will recognize any amount forgiven upon completion of the SBA approval.