



# RESOURCE EXCHANGE INTERNATIONAL

***RESOURCE EXCHANGE INTERNATIONAL, INC.***

***FINANCIAL STATEMENTS***

***WITH***

***INDEPENDENT AUDITORS' REPORT***

***YEARS ENDED DECEMBER 31, 2019 AND 2018***

**OSBORNE, PARSONS & ROSACKER, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**OSBORNE, PARSONS & ROSACKER, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Resource Exchange International, Inc.  
Colorado Springs, Colorado

We have audited the accompanying financial statements of Resource Exchange International, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expense, and cash flows for the years 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 accounting principles generally accepted in the United States of America; 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 entity's preparation and fair presentation of the financial statements in order to design audit 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Resource Exchange International, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Supplementary Information**

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the statements of financial position of Resource Exchange International, Inc. as of December 31, 2017, 2016, and 2015, and the related statements of activities, functional expense and cash flows for each of the years then ended (none of which is presented herein), and we expressed unmodified opinions on those financial statements. Those audits were conducted for the purpose of forming opinions on the financial statements as a whole. The comparative schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management, was derived from, and relates directly to the underlying accounting and other records used to prepare the 2017, 2016, and 2015 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the summarized comparative schedules are consistent, in all material respects, with the audited financial statements from which they have been derived.

*Osborne, Parsons & Mosacher LLP*

Colorado Springs, Colorado

April 28, 2020

**OSBORNE, PARSONS & ROSACKER, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

601 NORTH NEVADA AVENUE  
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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Resource Exchange International, Inc.  
Colorado Springs, Colorado

We have audited the accompanying financial statements of Resource Exchange International, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expense, and cash flows for the years 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 accounting principles generally accepted in the United States of America; 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 entity's preparation and fair presentation of the financial statements in order to design audit 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITORS' REPORT - CONTINUED**  
**PAGE 2**

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Resource Exchange International, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Osborne, Parsons & Noraska LLP*

Colorado Springs, Colorado  
April 28, 2020

**RESOURCE EXCHANGE INTERNATIONAL, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31,**

**ASSETS**

	<b>2019</b>	<b>2018</b>
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 415,542	\$ 419,768
Promises to Give	123,641	131,076
Interest in Net Assets of New Horizons Foundation, Inc.	-	29,038
Investments	110,419	108,467
Prepaid Expense	17,096	22,402
Total Current Assets	<u>666,698</u>	<u>710,751</u>
<b>Non-Current Assets</b>		
Deposits	3,467	3,467
Property and Equipment, Net	10,374	6,321
Intangible Assets, Net	<u>3,313</u>	<u>-</u>
<b>Total Assets</b>	<u><u>\$ 683,852</u></u>	<u><u>\$ 720,539</u></u>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Accounts Payable	\$ 4,070	\$ 28,590
Rent Payable	4,938	3,017
Capital Lease Payable	4,740	6,447
Accrued Expense	11,251	10,763
Total Liabilities	<u>24,999</u>	<u>48,817</u>
<b>Net Assets</b>		
Without Donor Restrictions	218,636	176,492
With Donor Restrictions	440,217	495,230
Total Net Assets	<u>658,853</u>	<u>671,722</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 683,852</u></u>	<u><u>\$ 720,539</u></u>

See Accompanying Notes and Independent Auditors' Report

**RESOURCE EXCHANGE INTERNATIONAL, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and Revenue</b>			
Contributions	\$ 413,616	\$ 1,719,111	\$ 2,132,727
Investment Income	5,043	-	5,043
	<u>418,659</u>	<u>1,719,111</u>	<u>2,137,770</u>
Net Assets Released from Restrictions			
Program	1,774,124	(1,774,124)	-
<b>Total Support and Revenue</b>	<u>2,192,783</u>	<u>(55,013)</u>	<u>2,137,770</u>
<b>Expense</b>			
Program	<u>1,544,489</u>	<u>-</u>	<u>1,544,489</u>
Support			
Management and General	367,319	-	367,319
Fundraising	238,831	-	238,831
Total Support	<u>606,150</u>	<u>-</u>	<u>606,150</u>
<b>Total Expense</b>	<u>2,150,639</u>	<u>-</u>	<u>2,150,639</u>
<b>Change in Net Assets</b>	42,144	(55,013)	(12,869)
<b>Beginning Net Assets</b>	<u>176,492</u>	<u>495,230</u>	<u>671,722</u>
<b>Ending Net Assets</b>	<u><u>\$ 218,636</u></u>	<u><u>\$ 440,217</u></u>	<u><u>\$ 658,853</u></u>

See Accompanying Notes and Independent Auditors' Report



**RESOURCE EXCHANGE INTERNATIONAL, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2018**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and Revenue</b>			
Contributions	\$ 590,799	\$ 1,087,517	\$ 1,678,316
Non-Cash Contributions			
Contributed Services	-	614,024	614,024
Investment Income	4,115	-	4,115
Other Income	900	-	900
Change in Beneficial Interest	1,478	-	1,478
	<u>597,292</u>	<u>1,701,541</u>	<u>2,298,833</u>
Net Assets Released from Restrictions			
Program	1,520,736	(1,520,736)	-
<b>Total Support and Revenue</b>	<u>2,118,028</u>	<u>180,805</u>	<u>2,298,833</u>
<b>Expense</b>			
Program	<u>1,632,022</u>	<u>-</u>	<u>1,632,022</u>
Support			
Management and General	290,571	-	290,571
Fundraising	190,157	-	190,157
Total Support	<u>480,728</u>	<u>-</u>	<u>480,728</u>
<b>Total Expense</b>	<u>2,112,750</u>	<u>-</u>	<u>2,112,750</u>
<b>Change in Net Assets</b>	5,278	180,805	186,083
<b>Beginning Net Assets</b>	<u>171,214</u>	<u>314,425</u>	<u>485,639</u>
<b>Ending Net Assets</b>	<u><u>\$ 176,492</u></u>	<u><u>\$ 495,230</u></u>	<u><u>\$ 671,722</u></u>

See Accompanying Notes and Independent Auditors' Report

**RESOURCE EXCHANGE INTERNATIONAL, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSE**  
**YEAR ENDED DECEMBER 31, 2019**

	<u><b>Program</b></u>	<u><b>Management and General</b></u>	<u><b>Fundraising</b></u>	<u><b>Total</b></u>
Direct Salaries, Benefits, and Taxes	1,111,753	285,618	164,122	1,561,493
Travel, Lodging, and Related Costs	256,145	1,340	28,310	285,795
Direct Grants and Gifts	53,425	-	-	53,425
Professional Services	4,071	15,028	3,100	22,199
Staff Recruiting and Development	43,880	-	641	44,521
Entertainment	4,811	1,506	7,380	13,697
Conferences and Meetings	9,164	3,041	-	12,205
Occupancy	12,445	22,816	6,223	41,484
Equipment and Software	6,528	10,049	-	16,577
Insurance	7,651	5,101	-	12,752
Depreciation	934	747	187	1,868
Marketing	1,902	2,893	-	4,795
Amortization	267	214	53	534
Office Expenses	7,056	10,761	28,792	46,609
Dues and Fees	24,343	8,114	-	32,457
Interest	114	91	23	228
Total Expenses	<u><u>\$ 1,544,489</u></u>	<u><u>\$ 367,319</u></u>	<u><u>\$ 238,831</u></u>	<u><u>\$ 2,150,639</u></u>
Percent of Total Expenses	<u><u>72%</u></u>	<u><u>17%</u></u>	<u><u>11%</u></u>	<u><u>100%</u></u>

See Accompanying Notes and Independent Auditors' Report

**RESOURCE EXCHANGE INTERNATIONAL, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSE**  
**YEAR ENDED DECEMBER 31, 2018**

	<b>Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Donated Salaries	\$ 521,921	\$ 61,402	\$ 30,701	\$ 614,024
Direct Salaries, Benefits, and Taxes	553,419	126,116	77,071	756,606
Travel, Lodging, and Related Costs	254,528	-	33,415	287,943
Direct Grants and Gifts	216,565	-	-	216,565
Professional Services	1,855	19,719	12,389	33,963
Staff Recruiting and Development	30,499	-	31	30,530
Entertainment	4,939	259	11,158	16,356
Conferences and Meetings	5,422	28,916	1,807	36,145
Occupancy	17,880	14,304	3,576	35,760
Equipment and Software	8,735	5,442	-	14,177
Insurance	6,664	4,443	-	11,107
Depreciation	862	690	172	1,724
Marketing	1,412	94	377	1,883
Office Expenses	5,335	12,526	19,431	37,292
Dues and Fees	1,839	16,542	-	18,381
Interest	147	118	29	294
Non-donated Expenses	1,110,101	229,169	159,456	1,498,726
Total Expenses	\$ 1,632,022	\$ 290,571	\$ 190,157	\$ 2,112,750
Percent of Total Expenses	77%	14%	9%	100%

See Accompanying Notes and Independent Auditors' Report

**RESOURCE EXCHANGE INTERNATIONAL, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31,**

	<u>2019</u>	<u>2018</u>
<b>Cash Flow from Operating Activities</b>		
Change in Net Assets	\$ (12,869)	\$ 186,083
Adjustments to Reconcile Change in Net Assets to		
Cash (Used) Provided by Operations		
Non-cash Items		
Depreciation	1,868	1,724
Amortization	534	-
Unrealized Loss on Investments	528	-
Change in Beneficial Interest in Assets		
Held by Others	-	(1,478)
Changes in Assets and Liabilities		
Promises to Give	7,435	(56,464)
Promises to Give - Related Party	-	6,300
Prepaid Expense	5,306	(5,867)
Deposits	-	(893)
Accounts Payable	(24,520)	23,588
Rent Payable	1,921	2,161
Capital Lease Payable	(1,707)	(1,640)
Accrued Expense	488	11
Cash (Used) Provided by Operating Activities	<u>(21,016)</u>	<u>153,525</u>
<b>Cash Flow from Investing Activities</b>		
Purchase of Investments	(1,952)	(1,312)
Proceeds from Sale of Investments	28,510	-
Purchase of Fixed Assets	(5,921)	-
Purchase of Intangible Assets	(3,847)	-
Cash Provided (Used) by Investing Activities	<u>16,790</u>	<u>(1,312)</u>
<b>Change in Cash and Cash Equivalents</b>	(4,226)	152,213
<b>Beginning Cash and Cash Equivalents</b>	<u>419,768</u>	<u>267,555</u>
<b>Ending Cash and Cash Equivalents</b>	<u><u>\$ 415,542</u></u>	<u><u>\$ 419,768</u></u>

See Accompanying Notes and Independent Auditors' Report

**RESOURCE EXCHANGE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

**Organization** - Resource Exchange International, Inc. (REI) is incorporated under the laws of the State of Florida, is generally exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC), and is not a private foundation under section 509(a)(2) of the IRC. REI operates primarily on contributions from individuals, with both cash donations and contributed services being significant.

The mission of REI is to engage, encourage, equip, and empower people in developing nations to strengthen the strategic sectors of their countries. REI accomplishes this mission through the following:

- Providing education and training to individuals in developing and emerging societies to strengthen their capabilities and help them build their nations
- Encouraging and facilitating international economic development and cross-cultural exchange
- Promoting international goodwill and understanding through technical, educational, and cultural exchange

REI's volunteer professionals work side-by-side with local professionals to plan forums such as visiting professorships, short-term seminars and conferences, cultural exchange programs, and long-term on-site cooperative ventures. REI provides technical and advisory assistance through partnerships with change agents and strategic institutions such as governmental entities, universities, technical schools, and medical clinics. Programs are currently active in Africa, Asia, and the Middle East. These programs include training in the English language, medicine and health care, economics and business, and agriculture.

Resource Exchange International uses professional volunteers, such as doctors, nurses, English teachers, and business executives, to accomplish another significant part of its program. Most spend at least 9 to 10 days of actual service time on these short-term trips in which they use their professional skills to educate or train other professionals and students. For 2019, 84 people served in this capacity, which represents 784 days or approximately 5,460 hours of service. For 2018, 76 people served in this capacity, which represents 710 days or approximately 4,970 hours of service. Even though significant to the overall program, the value of the time contributed by these individuals has not and cannot be included as a part of contributed services for purposes of the Statement of Activities.

REI is affiliated with various national organizations in developing countries throughout the world. Although REI employees in these countries work with those entities, the entities are not under REI control. Accordingly, assets acquired, and expenditures made in behalf of those entities, are treated as grants and not consolidated in these financial statements.

**Cash and Cash Equivalents** – For purposes of the statements of cash flows, REI considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**RESOURCE EXCHANGE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Investments** – Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increase in net assets without restrictions if the restrictions are met either by passage of time or by use in the reporting period in which the income and gains are recognized. Short-term investments consist of debt securities with original maturities of twelve months or less. Long-term investments consist of debt securities with original maturities greater than twelve months.

**Promises to Give** – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

REI uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management analysis of specific promises made.

**Property and Equipment** – REI capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, REI reports expirations of donor restrictions when the donated or acquired assets are placed in service. REI reclassifies net assets with restrictions to net assets without restrictions at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from five to thirty years.

**Intangible Assets** – During 2019, REI implemented software which is recorded at cost and amortized over the expected useful life.

**Net Assets** – Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an emergency evacuation fund.

**RESOURCE EXCHANGE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*Net Assets with Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Revenue and Revenue Recognition** – Revenue is recognized when earned. Program service fees, and payments under cost-reimbursable contracts, received in advance, are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

**Contributions** – Contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence or nature of any donor restrictions.

**Income Tax Status** – REI is exempt, under Section 501(c)(3) of the Internal Revenue Code, from tax on income derived from donations, income generated by activities carried on in furtherance of its exempt purpose and certain other specified income and, in addition, is qualified to receive tax deductible contributions. Management believes that based on evaluation of its tax position, any liability as a result of uncertain tax positions would not be material. Management continually evaluates expiring statutes of limitations, changes in the tax laws, and new authoritative rulings to assist in evaluating its tax position. Accrued interest and penalties associated with uncertain tax positions, if any, would be recognized as part of the income tax position.

**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.

**Functional Allocation of Expenses** – The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Reclassifications** – Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

**RESOURCE EXCHANGE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Change in Accounting Principle** – In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The ASU clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities.

The change in accounting principle was adopted on a modified prospective basis in 2019. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of January 1, 2019. In comparison to the year ended December 31, 2018, there was no cumulative-effect of adopting the new accounting principles in 2019.

**NOTE 1 – AVAILABILITY AND LIQUIDITY**

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The promises to give are subject to time restrictions but will be collected within one year. The following reflects the REI's financial assets as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 415,542	\$ 419,768
Promises to Give	123,641	131,076
Interest in Net Assets of New Horizons Foundation, In.	-	29,038
Short-term Investments	110,419	108,467
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>649,602</u>	<u>688,349</u>

**NOTE 2 - CONCENTRATIONS**

**Credit Risk** - Financial instruments, which subject REI to a concentration of credit risk, consist of demand deposits placed with a financial institution. At certain times during the fiscal year, REI had funds on deposit with a financial institution in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limits. REI has not experienced any losses as a result of this policy.



**RESOURCE EXCHANGE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

As of December 31, cash and cash equivalents consisted of the following:

	<u>2019</u>	<u>2018</u>
Cash	\$ 38,440	\$ 13,290
Money Market Funds	377,102	406,478
	<u>\$ 415,542</u>	<u>\$ 419,768</u>

**NOTE 4 – INVESTMENTS**

As of December 31, investments consisted of the following:

	<u>2019</u>	<u>2018</u>
Certificates of Deposit	\$ 110,419	\$ 108,467

For the years ended December 31, investment income consisted of the following:

	<u>2019</u>	<u>2018</u>
Interest and Dividends	\$ 5,043	\$ 4,115

**NOTE 5 – PREPAID EXPENSE**

As of December 31, prepaid expense consisted of the following:

	<u>2019</u>	<u>2018</u>
Insurance	\$ 11,404	\$ 14,252
Contracted Services	2,202	3,419
Leases	1,743	4,731
Travel	1,747	-
	<u>\$ 17,096</u>	<u>\$ 22,402</u>

**NOTE 6 – INTEREST IN NET ASSETS OF NEW HORIZONS FOUNDATION, INC.**

In 1993, REI - Vietnam transferred funds to New Horizons Foundation, Inc., a donor advised fund. The funds were committed for the project "Resource Exchange International, Inc. - Vietnam" with the purpose of providing charitable and educational services by qualified professionals in Vietnam. REI had access to the funds by requesting a disbursement and providing any required supporting documentation. The funds were held in mutual funds and securities and were carried at fair market value. The value of the funds included in the net assets of New Horizons Foundation, Inc. was \$29,038 at December 31, 2018. The account was closed in 2019.

**RESOURCE EXCHANGE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 – PROPERTY AND EQUIPMENT**

As of December 31, property and equipment consisted of the following:

	<b>2019</b>	<b>2018</b>
Computers and Equipment	\$ 7,726	\$ 1,805
Furniture	10,052	10,052
Leasehold Improvements	8,620	8,620
	<u>26,398</u>	<u>20,477</u>
Less: Accumulated Depreciation	(16,024)	(14,156)
	<u><u>\$ 10,374</u></u>	<u><u>\$ 6,321</u></u>

Depreciation expense was \$1,868 and \$1,724 for the years ended December 31, 2019 and 2018, respectively.

**NOTE 8 – INTANGIBLE ASSETS**

As of December 31, intangible assets consisted of the following:

	<b>2019</b>	<b>2018</b>
Software	\$ 3,847	\$ -
Less: Accumulated Amortization	(534)	-
	<u><u>\$ 3,313</u></u>	<u><u>\$ -</u></u>

Amortization expense was \$534 for the year ended December 31, 2019.

**RESOURCE EXCHANGE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS**

Changes in net assets with donor restrictions for the years ended December 31, 2019 and 2018 consisted of the following:

<b>2019</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Satisfied</b>	<b>Reclass</b>	<b>Ending Balance</b>
Cuba	\$ 7,010	\$ 1,032	\$ (4,000)	\$ -	\$ 4,042
Djibouti	91,085	218,756	(262,567)	-	47,274
Egypt	1,370	26,595	(24,069)	-	3,896
Indonesia	94,154	399,861	(353,268)	-	140,747
Kazakhstan	3,007	20,647	(19,014)	10,582	15,222
Laos	59,612	102,571	(120,513)	(13,358)	28,312
Nepal	1,590	1,629	(2,509)	-	710
Vietnam	166,806	470,104	(500,676)	(41,017)	95,217
USA Based	70,596	477,916	(487,508)	43,793	104,797
	<u>\$ 495,230</u>	<u>\$ 1,719,111</u>	<u>\$ (1,774,124)</u>	<u>\$ -</u>	<u>\$ 440,217</u>

<b>2018</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Satisfied</b>	<b>Reclass</b>	<b>Ending Balance</b>
Cuba	\$ 9,284	\$ 2,150	\$ (4,424)	\$ -	\$ 7,010
Djibouti	88,827	235,532	(233,274)	-	91,085
Egypt	4,031	23,446	(26,107)	-	1,370
Indonesia	46,076	373,446	(325,368)	-	94,154
Kazakhstan	729	3,956	(1,678)	-	3,007
Laos	24,845	241,800	(207,033)	-	59,612
Nepal	4,551	34	(2,995)	-	1,590
Vietnam	94,287	652,305	(579,786)	-	166,806
USA Based	41,795	168,872	(140,071)	-	70,596
	<u>\$ 314,425</u>	<u>\$ 1,701,541</u>	<u>\$ (1,520,736)</u>	<u>\$ -</u>	<u>\$ 495,230</u>

**NOTE 10 – BOARD DESIGNATED NET ASSETS**

Amounts designated by the Board of Directors for specific future needs are treated as board designated net assets without donor restrictions. The balance can be transferred to the undesignated portion of net assets without donor restrictions at the Board's discretion. As of December 31, board designated net assets consisted of the following:

	<b>2019</b>	<b>2018</b>
Designated Emergency Evacuation Fund	<u>\$ 25,000</u>	<u>\$ 25,000</u>
	<u>\$ 25,000</u>	<u>\$ 25,000</u>

**RESOURCE EXCHANGE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 – CONTRIBUTED SERVICES**

For the year ending December 31, 2018 several of REI’s personnel were employees of other 501(c)(3) organizations with similar program objectives. These employees were “loaned” to REI under Secondment agreements. REI records the value of services received for these personnel based on their salaries paid by the other organization. The value of contributed services included in expenses and contributions with donor restrictions was \$614,024 for 2018. In addition to these personnel, REI also receives contributed services from many volunteers throughout the year. These latter contributed services, related to various administrative and program areas, do not meet the criteria for financial statement inclusion under current accounting standards.

**NOTE 12 – ALLOCATION OF FUNCTIONAL EXPENSE**

The financial statements report certain categories of expense that are attributable to one or more program or supporting functions of REI. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, amortization, interest, professional services, marketing, dues/fees, equipment purchases, office expenses and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

**NOTE 13 – OPERATING LEASES**

REI leases office space under an escalating lease agreement expiring on August 31, 2022. Monthly amounts are approximately \$2,846 to \$3,412. REI’s Vietnam office leases office space in Hanoi for \$300 per month. Rent expense for occupancy was \$41,484 for 2019 and \$35,760 for 2018. The office lease is an escalating lease. Amounts accrued in excess of amounts paid are recorded as rent payable.

A summary of office space lease expense is as follows:

	<u>2019</u>	<u>2018</u>
Corporate Office	\$ 37,884	\$ 31,860
Vietnam	3,600	3,900
	<u>\$ 41,484</u>	<u>\$ 35,760</u>

REI leases various office equipment under non-cancelable lease agreements and payments can adjust annually. Equipment rent expense was \$6,496 for 2019 and \$4,471 for 2018.

Future minimum lease payments are:

<u>Year Ending December 31,</u>	<u>Office Space</u>	<u>Office Equipment</u>	<u>Total Minimum Payments</u>
2020	39,695	3,468	43,163
2021	41,584	3,468	45,052
2022	28,589	3,468	32,057
2023	-	2,890	2,890
	<u>\$ 109,868</u>	<u>\$ 13,294</u>	<u>\$ 123,162</u>

**RESOURCE EXCHANGE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 14 – FAIR VALUE MEASUREMENTS**

Generally accepted accounting principles establish a framework for measuring fair value using three different levels of inputs. The levels are described as follows:

*Level 1 Inputs:* Quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date.

*Level 2 Inputs:* Other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (e.g., quoted market prices of similar assets or liabilities in an active markets, or quoted market prices for identical or similar assets or liabilities in markets that are not active).

*Level 3 Inputs:* Unobservable (e.g., a company's own data) and should be used to measure fair value to the extent that observable inputs are not available.

The following is a summary the major categories of assets measured at fair value on a recurring basis during the year ended December 31, 2019:

Description	Fair Value	Fair Value Inputs		
		Level 1	Level 2	Level 3
Certificates of Deposit	\$ 110,419	\$ 110,419	\$ -	\$ -

The following is a reconciliation of beginning and ending balances of recurring fair value measurements recognized in the accompanying balance sheets using significant unobservable (Level 3) inputs as of December 31, 2019. The ending balance is calculated using the ending balance of REI's account as reported by New Horizons Foundation, Inc. Unrealized gain is recognized on the statement of activities as change in beneficial interest.

	\$ 29,038
Unrealized Gain	(528)
Transfer	(28,510)
	<u>\$ -</u>

The following is a summary the major categories of assets measured at fair value on a recurring basis during the year ended December 31, 2018:

Description	Fair Value	Fair Value Inputs		
		Level 1	Level 2	Level 3
Certificates of Deposit	\$ 107,155	\$ 107,155	\$ -	\$ -
Interest in Net Assets of New Horizons Foundation, Inc.	\$ 27,560	-	-	27,560

**RESOURCE EXCHANGE INTERNATIONAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 14 – FAIR VALUE MEASUREMENTS - Continued**

The following is a reconciliation of beginning and ending balances of recurring fair value measurements recognized in the accompanying balance sheets using significant unobservable (Level 3) inputs as of December 31, 2018. The ending balance is calculated using the ending balance of REI's account as reported by New Horizons Foundation, Inc. Unrealized gain is recognized on the statement of activities as change in beneficial interest.

	\$ 27,560
Unrealized Gain	<u>1,478</u>
	<u><u>\$ 29,038</u></u>

**NOTE 15 – RELATED PARTY TRANSACTIONS**

REI's Board members contributed \$39,824 and \$81,599, for the years ended December 31, 2019 and 2018, respectively.

During 2019, REI provided \$13,000 in grant funds and \$147,410 in donated salaries to a nonprofit organization in Djibouti. During 2018, REI provided \$4,064 in grant funds and \$161,938 in donated salaries. The nonprofit has a ten-member board, four of which are either direct REI employees or staff or are a member of REI's Board of Directors.

During 2019, REI provided \$24,121 in grant funds and \$216,434 in donated salaries to a nonprofit organization in Indonesia. During 2018, REI provided \$114,802 in grant funds and \$131,852 in donated salaries. The nonprofit has a two-member founding board, one of which is a direct or seconded REI employee.

**NOTE 16 – POSTRETIREMENT BENEFITS**

During 2019, REI discontinued the Simple IRA plan and implemented a 403(b) plan, which matched employees' contributions up to 3% of wages. Employer contributions were \$20,065 for 2019 and \$4,668 for 2018.

**NOTE 17 – INFORMATION RETURNS**

REI's information returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2019, the information returns for three prior years are considered open for Internal Revenue Service examination.

**NOTE 18 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 28, 2020, the date on which the financial statements were available to be issued.