

REACH ONE TOUCH ONE MINISTRIES, INC.

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2016

OSBORNE, PARSONS & ROSACKER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Reach One Touch One Ministries, Inc.
Colorado Springs, Colorado

We have audited the accompanying financial statements of Reach One Touch One Ministries, Inc. (a nonprofit organization) (Organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expense, 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 risk 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 AUDITOR'S REPORT - CONTINUED

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Reach One Touch One Ministries, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Reach One Touch One Ministries, Inc.'s December 31, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 29, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Osborne Parsons & Associates LLP

Colorado Springs, Colorado
February 23, 2017

REACH ONE TOUCH ONE MINISTRIES, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016
With comparative totals for 2015

ASSETS		2016	2015
Current assets			
Cash		\$ 48,916	\$ 32,467
Pledges and contributions receivable		<u>4,325</u>	<u>3,295</u>
Total current assets		<u><u>\$ 53,241</u></u>	<u><u>\$ 35,762</u></u>
 LIABILITIES AND NET ASSETS			
Liabilities			
Grants payable		<u>\$ 2,502</u>	<u>\$ -</u>
Total liabilities		<u>2,502</u>	<u>-</u>
Net assets			
Unrestricted		22,836	29,943
Temporarily restricted		<u>27,903</u>	<u>5,819</u>
Total net assets		<u>50,739</u>	<u>35,762</u>
Total liabilities and net assets		<u><u>\$ 53,241</u></u>	<u><u>\$ 35,762</u></u>

See independent auditors' report and notes to financial statements

REACH ONE TOUCH ONE MINISTRIES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016
With comparative totals for 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2016</u>	<u>2015</u>
Support				
Contributions	\$ 72,490	\$ 340,361	\$ 412,851	\$ 496,085
Net assets released from restrictions	318,277	(318,277)	-	-
Total support	<u>390,767</u>	<u>22,084</u>	<u>412,851</u>	<u>496,085</u>
Expense				
Program	345,600	-	345,600	438,631
Support				
Management and general	38,562	-	38,562	28,707
Fundraising	13,712	-	13,712	13,409
Total support	<u>52,274</u>	<u>-</u>	<u>52,274</u>	<u>42,116</u>
Total expense	<u>397,874</u>	<u>-</u>	<u>397,874</u>	<u>480,747</u>
Change in net assets	(7,107)	22,084	14,977	15,338
Beginning net assets	<u>29,943</u>	<u>5,819</u>	<u>35,762</u>	<u>20,424</u>
Ending net assets	<u>\$ 22,836</u>	<u>\$ 27,903</u>	<u>\$ 50,739</u>	<u>\$ 35,762</u>

See independent auditors' report and notes to financial statements

REACH ONE TOUCH ONE MINISTRIES, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016
With comparative totals for 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operations		
Change in net assets	\$ 14,977	\$ 15,338
Reconciliation of change in net assets to cash provided by operations		
Changes in assets		
Pledges and contributions receivable	(1,030)	2,021
Grants payable	2,502	(5,316)
Cash provided by operating activities	<u>16,449</u>	<u>12,043</u>
Change in cash	16,449	12,043
Beginning cash	<u>32,467</u>	<u>20,424</u>
Ending cash	<u><u>\$ 48,916</u></u>	<u><u>\$ 32,467</u></u>

See independent auditors' report and notes to financial statements

REACH ONE TOUCH ONE MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED DECEMBER 31, 2016
With comparative totals for 2015

	Program	Management and General	Fundraising	Totals	
				2016	2015
Payroll	\$ 5,994	\$ 14,287	\$ 5,994	\$ 26,275	\$ 24,393
Payroll taxes	503	1,005	503	2,011	1,865
	<u>6,497</u>	<u>15,292</u>	<u>6,497</u>	<u>28,286</u>	<u>26,258</u>
Grants to ROTOM Uganda and Ethiopia	318,277	-	-	318,277	417,023
ROTOM fellowship support	7,200	-	-	7,200	10,800
Travel	7,983	-	-	7,983	4,059
Rent	1,500	3,000	1,500	6,000	-
Contract labor	3,083	3,083	-	6,166	-
Development/promotional material	-	284	4,655	4,939	5,821
Accounting fees	-	4,840	-	4,840	3,262
Postage	800	1,598	800	3,198	3,353
Bank fees	-	2,859	-	2,859	2,361
Insurance	-	2,693	-	2,693	2,448
Miscellaneous office expense	-	1,389	-	1,389	1,471
Printing	-	1,184	-	1,184	918
Supplies	-	1,070	-	1,070	1,195
Telephone and internet	260	520	260	1,040	1,028
Dues	<u>-</u>	<u>750</u>	<u>-</u>	<u>750</u>	<u>750</u>
Total 2016	<u>\$ 345,600</u>	<u>\$ 38,562</u>	<u>\$ 13,712</u>	<u>\$ 397,874</u>	
Percent total expenses - 2016	<u>86.86%</u>	<u>9.69%</u>	<u>3.45%</u>	<u>100.00%</u>	
Total 2015	<u>\$ 438,631</u>	<u>\$ 28,707</u>	<u>\$ 13,409</u>		<u>\$ 480,747</u>
Percent total expenses - 2015	<u>91.24%</u>	<u>5.97%</u>	<u>2.79%</u>		<u>100.00%</u>

See independent auditors' report and notes to financial statements

REACH ONE TOUCH ONE MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Reach One Touch One Ministries, Inc. (ROTOM) is presented to assist the reader in understanding the financial statements.

History and purpose - ROTOM is a non-denominational Christian ministry dedicated to meeting the spiritual, social, physical and psychological needs of the elderly located in Uganda and Ethiopia, Africa. ROTOM also assists the dependents of the elderly, so they both may live dignified, independent, and hopeful lives. ROTOM addresses physical health issues by improving nutritional standards, hygiene, and sanitation. Emotional health is addressed by providing counseling services, holding fellowship meetings and conducting home visits. Additionally, ROTOM seeks to lessen the burden of dependents on the elderly.

Income tax status - ROTOM 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.

Basis of accounting - Financial position and activities are reported according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. These net asset classifications are described as follows:

Unrestricted net assets - not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes or locations by action of the Board of Directors.

Temporarily restricted net assets - subject to donor-imposed stipulations that may be fulfilled by actions of ROTOM to meet the stipulations or become unrestricted at the date specified by donor.

Permanently restricted net assets - subject to donor imposed stipulations that they be retained and invested permanently. ROTOM has no permanently restricted net assets.

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. Those estimates and assumptions may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Definition of cash - For the purpose of the statement of cash flows, the definition of cash is all cash on hand, demand deposits, and money market accounts.

Pledges and contributions receivable – Pledges and contributions receivable consists of unconditional promises to give from individuals or other organizations. These promises to give are recorded as receivables and revenues and ROTOM distinguishes between pledges and contributions received for each net asset category in accordance with donor-imposed restrictions. Management closely monitors outstanding pledges and contributions receivable and establishes an allowance for doubtful accounts based on its evaluation of collectability. Management does not book pledges and contributions receivable except at year-end. Management believes all outstanding pledges and contributions receivable for the year ending December 31, 2016, are fully collectible. Subsequent to issuance of the financial statements, all receivables at December 31, 2016, had been collected in full.

REACH ONE TOUCH ONE MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Accrued liabilities - ROTOM accrues expenses for amounts associated with pledges and contributions receivable at year-end.

Contributions - Gifts of cash and other assets are reported as restricted support if received with donor stipulations limiting 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.

Gifts of land, buildings, and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions specifying 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 stipulation, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Functional allocation of expenses - The cost of providing various programs has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

NOTE 1 – COMPARATIVE INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with ROTOM's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

NOTE 2 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of financial instruments approximate their fair value.

NOTE 3 – OPERATING LEASE

On February 3, 2016, ROTOM entered into a 12-month lease agreement for home office space of the CEO, which is set to expire December 31, 2016. The monthly lease payments are \$500. Rent expense for 2016, was \$6,000.

Subsequent to issuance of the financial statements, the lease agreement was renewed for 12 months through December 31, 2017. Future minimum payments under the lease are \$6,000 for the year ending December 31, 2017.

NOTE 4 – RELATED PARTY

During 2016, the Board Members of ROTOM contributed \$36,830 to ROTOM, representing 9% of total contributions.

During 2016, ROTOM paid \$6,000 for rent to the spouse of the CEO (see Note 3).

During 2016, ROTOM paid \$319 to a tech-consulting firm owned by a Board Member.

REACH ONE TOUCH ONE MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – CONCENTRATIONS

Approximately 29% of total support was received from five donors during 2016.

Approximately 80% of total expenses were in wires to ROTOM Uganda and Ethiopia during 2016.

NOTE 6 – INFORMATION RETURNS

ROTOM'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, 2016, the information returns for three prior years are considered open for Internal Revenue Service examination.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Summary of activity in temporarily restricted net assets:

Description	Beginning Balance	Additions	Satisfied	Ending Balance
Uganda senior friendship	\$ 3,979	\$ 150,920	\$ (146,517)	\$ 8,382
Uganda partnership fund	-	6,108	(6,108)	-
Uganda special projects	-	57,382	(57,112)	270
ROTOM Center	-	41,717	(41,717)	-
Village Outreach Centers	-	3,750	(3,750)	-
Evangelism	-	24,000	(24,000)	-
Uganda Journey for Change trips	760	23,784	(22,790)	1,754
Fiscal sponsor income	180	4,230	(4,410)	-
Ethiopia senior friendship	900	15,004	-	15,904
Ethiopia partnership fund	-	4,401	(3,708)	693
Ethiopia home renovations	-	1,800	(900)	900
Ethiopia Journey for Change trips	-	7,265	(7,265)	-
	<u>\$ 5,819</u>	<u>\$ 340,361</u>	<u>\$ (318,277)</u>	<u>\$ 27,903</u>

NOTE 8 – SUBSEQUENT EVENT

Management has evaluated subsequent events through February 23, 2017 the date on which the financial statements were available to be issued.