

RIVER OF LIFE MISSION

Financial Statements

December 31, 2008 and 2007

RIVER OF LIFE MISSION

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Table of Contents

	Page
Independent Auditors' Report.....	1
Statements of Financial Position.....	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements.....	6



Wikoff Combs & Co., LLC
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors
River of Life Mission
Honolulu, Hawaii

We have audited the accompanying statements of financial position of River of Life Mission (a nonprofit organization) as of December 31, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the River of Life Mission's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of River of Life Mission as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Wikoff Combs & Co., LLC

Honolulu, Hawaii
January 29, 2010

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RIVER OF LIFE MISSION

Statements of Financial Position

December 31, 2008 and 2007

ASSETS		
	2008	2007
Current assets		
Cash and cash equivalents	\$ 750,362	\$ 500,772
Employee advances	778	488
Prepaid expenses	10,465	13,234
Investments	5,214	1,023
Certificate of deposit	-	102,527
Total current assets	766,819	618,044
Property and equipment		
Land	759,829	759,829
Buildings and improvements	783,578	783,579
Office equipment	81,807	81,807
Transportation and equipment	78,607	78,607
Kitchen equipment	24,552	24,552
Furniture and fixtures	10,236	10,236
Total property and equipment	1,738,609	1,738,610
Less accumulated depreciation	369,878	340,239
Net property and equipment	1,368,731	1,398,371
Other assets		
Loan costs, net of amortization of \$6,751 and \$5,465, respectively	12,538	13,824
Total assets	\$ 2,148,088	\$ 2,030,239
LIABILITIES AND NET ASSETS		
Current liabilities		
Note payable, current portion	\$ 27,742	\$ 23,348
Accrued liabilities	39,467	39,319
Accounts payable	10,227	9,255
Contract advance payments	31,000	-
Total current liabilities	108,436	71,922
Long-term liabilities		
Note payable, net of current portion	872,654	901,101
Total liabilities	981,090	973,023
Net assets		
Unrestricted	1,163,350	1,053,568
Temporarily restricted	3,648	3,648
Total net assets	1,166,998	1,057,216
Total liabilities and net assets	\$ 2,148,088	\$ 2,030,239

See notes to financial statements.

RIVER OF LIFE MISSION

Statements of Activities

For the Years Ended December 31, 2008 and 2007

	Unrestricted		Restricted		Total	
	2008	2007	2008	2007	2008	2007
Support and revenue						
Monetary contributions	\$ 1,178,731	\$ 1,213,492	\$ 28,318	\$ 33,370	\$ 1,207,049	\$ 1,246,862
Government contract	427,972	396,338	-	-	427,972	396,338
Food contributions	384,510	247,944	-	-	384,510	247,944
Dividend and interest income	9,074	8,503	-	-	9,074	8,503
Other income	4,045	697	-	-	4,045	697
Net realized/unrealized gains on investments	41	1,201	-	-	41	1,201
Net assets released from restrictions	28,318	42,708	(28,318)	(42,708)	-	-
Total support and revenue	<u>2,032,691</u>	<u>1,910,883</u>	<u>-</u>	<u>(9,338)</u>	<u>2,032,691</u>	<u>1,901,545</u>
Expenses						
Program services:						
Services for the homeless	755,552	713,011	-	-	755,552	713,011
Food services	748,489	595,411	-	-	748,489	595,411
Community awareness	162,422	156,001	-	-	162,422	156,001
Volunteer program	73,868	60,579	-	-	73,868	60,579
Christian work program	57,536	55,452	-	-	57,536	55,452
Total program services	<u>1,797,867</u>	<u>1,580,454</u>	<u>-</u>	<u>-</u>	<u>1,797,867</u>	<u>1,580,454</u>
Supporting services:						
Management and general	64,505	72,492	-	-	64,505	72,492
Fund-raising	60,537	91,718	-	-	60,537	91,718
Total supporting services	<u>125,042</u>	<u>164,210</u>	<u>-</u>	<u>-</u>	<u>125,042</u>	<u>164,210</u>
Total expenses	<u>1,922,909</u>	<u>1,744,664</u>	<u>-</u>	<u>-</u>	<u>1,922,909</u>	<u>1,744,664</u>
Changes in net assets	109,782	166,219	-	(9,338)	109,782	156,881
Net assets at beginning of year	<u>1,053,568</u>	<u>887,349</u>	<u>3,648</u>	<u>12,986</u>	<u>1,057,216</u>	<u>900,335</u>
Net assets at end of year	<u>\$ 1,163,350</u>	<u>\$ 1,053,568</u>	<u>\$ 3,648</u>	<u>\$ 3,648</u>	<u>\$ 1,166,998</u>	<u>\$ 1,057,216</u>

See notes to financial statements.

	Supporting Services							
	Services for the Homeless		Raising		Total Supporting Services		Total Expenses	
	2008	2007	2008	2007	2008	2007	2008	2007
Salaries	\$ 329,399	\$ 290,329	\$ 177,311	\$ 18,146	\$ 38,007	\$ 48,389	\$ 633,460	\$ 604,853
Payroll taxes	22,542	19,222	12,111	1,201	2,601	3,203	43,350	40,046
Employee benefits	37,579	38,843	20,211	2,428	4,336	6,474	72,267	80,922
Total personnel	389,520	348,394	209,732	21,775	44,944	58,066	749,077	725,821
Food donations	-	-	384,510	-	-	-	384,510	244,944
Supplies	82,767	66,148	44,511	4,134	9,550	11,024	159,167	137,809
Professional fees	108,670	108,480	-	-	13,371	11,176	122,041	119,656
Utilities	39,363	25,196	21,111	1,575	4,542	4,200	75,698	52,491
Donations to others	33,926	56,564	-	-	-	-	65,218	82,245
Interest	30,437	30,281	16,311	1,893	3,512	5,047	58,533	63,085
Printing and publications	-	-	-	9,753	12,281	9,753	49,119	39,011
Equipment rental and maintenance	3,454	1,668	1,811	3,909	5,638	6,620	32,566	29,128
Depreciation and amortization	16,081	17,784	8,611	1,112	1,856	2,965	30,925	37,051
Minister housing allowance	4,800	4,800	4,811	3,000	6,000	6,000	30,000	30,000
Miscellaneous	11,086	9,120	5,911	570	1,279	1,520	21,319	18,999
Auto expenses	-	-	20,711	-	-	-	20,734	10,432
Occupancy	20,000	20,000	-	-	-	-	20,000	20,000
Parking	173	8,972	16,811	561	216	1,496	18,841	18,691
Postage	-	-	-	3,390	3,865	3,390	15,459	13,639
Advertising	-	-	-	38,217	15,089	38,217	15,089	38,217
Insurance	5,836	8,092	3,111	506	673	1,349	11,223	16,858
Telephone	5,553	6,304	2,911	394	641	1,051	10,679	13,133
Specific assistance	-	-	-	-	-	-	9,705	13,655
Building repairs	-	-	4,911	854	1,137	2,135	8,747	14,232
Travel and transportation	3,886	1,208	2,011	75	448	201	7,473	2,516
Training	-	-	-	-	-	-	6,786	3,051
Total expenses	\$ 755,552	\$ 713,011	\$ 748,411	\$ 91,718	\$ 125,042	\$ 164,210	\$ 1,922,909	\$ 1,744,664

RIVER OF LIFE MISSION

Statements of Cash Flows

For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Changes in net assets	\$ 109,782	\$ 156,881
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	29,639	35,765
Amortization of loan costs	1,286	1,286
Net realized/unrealized gains (losses) on investments	(41)	(1,201)
(Increase) decrease in assets:		
Accounts receivable	(290)	150
Prepaid expenses	2,769	7,046
Increase (decrease) in liabilities:		
Accounts payable	972	(20,912)
Accrued liabilities	148	9,469
Contract advance payments	<u>31,000</u>	<u>-</u>
Total adjustments	<u>65,483</u>	<u>31,603</u>
Net cash provided by operating activities	<u>175,265</u>	<u>188,484</u>
Cash flows from investing activities		
Purchase of equipment	-	(11,833)
Purchase of investments	(6,529)	(373,065)
Proceeds from sale of investments	<u>104,907</u>	<u>270,716</u>
Net cash provided (used) by investing activities	<u>98,378</u>	<u>(114,182)</u>
Cash flows from financing activities		
Principal repayments on long-term notes payable	<u>(24,053)</u>	<u>(21,831)</u>
Net increase in cash and cash equivalents	249,590	52,471
Cash and cash equivalents at beginning of year	<u>500,772</u>	<u>448,301</u>
Cash and cash equivalents at end of year	<u>\$ 750,362</u>	<u>\$ 500,772</u>
<i>Supplemental disclosures:</i>		
Interest paid	<u>\$ 58,533</u>	<u>\$ 63,085</u>
Donated investments	<u>\$ -</u>	<u>\$ 162,208</u>

See notes to financial statements.

RIVER OF LIFE MISSION

Notes to Financial Statements

December 31, 2008 and 2007

1. Summary of Significant Accounting Policies

Organization

River of Life Mission (ROLM) is a nonprofit organization whose purpose is to restore broken lives of the poor and needy in Hawaii by providing services, hot meals, clothing, program shelter, Christian counseling, legal aid, medical clinic, emergency food distribution, job referrals, and chapel in Jesus' name.

ROLM is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. ROLM has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Basis of Accounting

The financial statements of ROLM have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

ROLM reports information regarding its financial position and activities according to the following classes of net assets:

Unrestricted net assets represent resources over which the Board of Directors has discretionary control.

Temporarily restricted net assets result from contributions whose use is limited by donor stipulations that either expire with the passage of time or can be fulfilled and removed by actions of ROLM pursuant to those stipulations.

Permanently restricted net assets result from contributions whose use is limited by donor stipulations that do not expire. ROLM has no permanently restricted net assets.

RIVER OF LIFE MISSION

Notes to Financial Statements

December 31, 2008 and 2007

1. Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Property and Equipment

Property and equipment are recorded at cost or estimated fair market value at the date of donation. Depreciation is calculated using the straight-line method based on the respective estimated useful lives ranging from three to thirty nine years for building and leasehold improvements.

ROLM follows the practice of capitalizing all expenditures for building improvements and equipment in excess of \$1,000. Expenditures for maintenance, repairs and renewals of minor items are charged to expenses as incurred. Major renewals and improvements are capitalized.

Whenever there are recognized events or changes in circumstances that could affect the carrying amount of long-lived assets, ROLM reviews these assets for possible impairment. In accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, management uses estimated expected future net cash flows (undiscounted and excluding interest costs) to measure the recoverability of these assets. Impairment losses are recognized when the undiscounted cash flows estimated to be generated by these assets are less than the assets' carrying amount. The estimation of expected future net cash flows is inherently uncertain and relies to a considerable extent on the availability of capital. If, in the future, there are changes in the estimates or assumption incorporated into the impairment review analysis, the change could impact the carrying amount of these assets.

Donated Food

Contributed food is recognized at fair value and recognized in the financial statements if they enhance or create non-financial assets and would typically need to be purchased if not provided by donation. Contributed food is reported as unrestricted support unless the donor has restricted the donations to a specific purpose. Expenses in the same amount are reflected in the Statements of Activities.

RIVER OF LIFE MISSION

Notes to Financial Statements

December 31, 2008 and 2007

1. Summary of Significant Accounting Policies, continued

Contributed Services

ROLM receives a substantial amount of services donated by volunteers in carrying out their mission. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Donor-restricted contributions are reported as increases in unrestricted, temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 Statements of Activities as net assets released from restriction.

Recognition of Government Grant Revenue

A government grant is received from the State of Hawaii. Revenues on the contract are recognized when allowable and reimbursable expenses are incurred, and upon meeting the legal and contractual requirements of the funding source. Funding received in advance of the applicable revenue recognition criteria is recorded as contract advance payments in the Statement of Financial Position.

Advertising

ROLM uses advertising to promote its programs among the guests it serves and to appeal for contributions. Advertising costs are expensed as incurred.

Joint Costs

Certain costs include elements related to program and or management and general functions as well as fund-raising activities. These joint costs are allocated based on management's estimate of benefit to the activities.

RIVER OF LIFE MISSION

Notes to Financial Statements

December 31, 2008 and 2007

1. Summary of Significant Accounting Policies, continued

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that 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.

2. Note Payable

In April 1999, ROLM purchased a building for its program and administrative offices. This purchase was refinanced in July 2002 using proceeds from a \$1,025,000 15-year mortgage note from a local bank. The note bears an annual interest of 5.75%, with the rate adjusting every three succeeding years at 2.75% above the Treasury bill rate. The note requires monthly payments of principal and interest of \$6,566, which will be adjusted to reflect the periodic change in interest rates. The entire unpaid principal balance and all accrued interest thereon are due on or before August 1, 2017.

The note is collateralized by a first mortgage on ROLM's real property. In addition, a security interest agreement covers substantially all assets of ROLM, including, but not limited to, personal property of any kind, deposits, receivables, promissory notes, contributions and any general intangibles. The note also provides for compliance with certain financial ratios.

RIVER OF LIFE MISSION

Notes to Financial Statements

December 31, 2008 and 2007

3. Note Payable

Using the interest rate existing at December 31, 2008, maturities of the note payable are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2009	\$ 27,742
2010	29,381
2011	31,115
2012	32,951
2013	34,899
Thereafter	<u>744,308</u>
	<u>\$ 900,396</u>

4. Joint Costs

In 2008 and 2007, ROLM incurred joint costs for informational materials and postage to provide public awareness of its programs that included fund-raising appeals. These joint costs were allocated as follows:

	<u>2008</u>	<u>2007</u>
Community awareness	\$ 80,902	\$ 87,484
Management and general	2,362	2,537
Fund-raising	<u>23,194</u>	<u>26,502</u>
Total	<u>\$ 106,458</u>	<u>\$ 116,523</u>

5. Restrictions on Net Assets

At December 31, 2008 and 2007, temporarily restricted net assets consisted of contributions restricted for the following purposes:

General educational development test training	\$ 648
Sewing equipment, facility and supplies	<u>3,000</u>
	<u>\$ 3,648</u>