

RESOURCE EXCHANGE INTERNATIONAL, INC.

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITORS' REPORT

YEAR ENDED DECEMBER 31, 2012

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Resource Exchange International, Inc. (REI) (a non-profit corporation) as of December 31, 2012, and the related statements of activities 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 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 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 evaluation the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluation he 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

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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, 2012, 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.

Other matter

The 2011 financial statements were reviewed by us and our report thereon, dated April 26, 2012, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

Osborne, Parsons & Rosacher LLP

Colorado Springs, Colorado

February 25, 2013

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

ASSETS		(Audited)	(Reviewed)
		2012	2011
Assets		<u> </u>	<u> </u>
Cash		\$ 406,356	\$ 358,493
Interest in net assets of New Horizons Foundation, Inc.		32,414	35,892
Investments		104,478	108,684
Pledges and other receivables		45,666	35,905
Inventory		91,919	97,415
Other assets		7,096	7,096
Furniture and equipment - net		<u>787</u>	<u>1,467</u>
Total assets		<u>\$ 688,716</u>	<u>\$ 644,952</u>

LIABILITIES AND NET ASSETS

Liabilities			
Accounts payable		\$ 258	\$ 14,441
Rent payable		<u>1,639</u>	<u>-</u>
Total liabilities		\$ 1,897	\$ 14,441
Net assets			
Unrestricted			
Undesignated		342,904	289,336
Equity in furniture and equipment		<u>787</u>	<u>1,467</u>
		343,691	290,803
Temporarily restricted		<u>343,128</u>	<u>339,708</u>
Total net assets		<u>686,819</u>	<u>630,511</u>
Total liabilities and net assets		<u>\$ 688,716</u>	<u>\$ 644,952</u>

See accompanying notes and independent auditors' report

RESOURCE EXCHANGE INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012

	Unrestricted	Temporarily restricted	(Audited) total
Support and revenue			
Contributions	\$ 384,187	\$ 582,325	\$ 966,512
Non-cash contributions			
Gifts in kind	-	102,777	102,777
Contributed services	86,800	645,600	732,400
Investment income	2,711	-	2,711
Change in beneficial interest	3,478	-	3,478
	477,176	1,330,702	1,807,878
Net assets released from restrictions			
Program	1,327,282	(1,327,282)	-
Total support and revenue	1,804,458	3,420	1,807,878
Expense			
Program	1,440,771	-	1,440,771
Support			
Management and general	236,441	-	236,441
Fundraising	74,358	-	74,358
Total support	310,799	-	310,799
Total expense	1,751,570	-	1,751,570
Change in net assets	52,888	3,420	56,308
Beginning net assets	290,803	339,708	630,511
Ending net assets	\$ 343,691	\$ 343,128	\$ 686,819

See accompanying notes and independent auditors' report

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

	<u>(Audited)</u> <u>2012</u>	<u>(Reviewed)</u> <u>2011</u>
Cash flow from operating activities		
Change in net assets	\$ 56,308	\$ (110,310)
Adjustments to reconcile change in net assets to cash used by operations		
Non-cash items		
Depreciation and amortization	680	796
Unrealized and realized loss on investments	(1,847)	(776)
Change in beneficial interest in assets held by others	3,478	2,741
Contributions of securities	(0)	(6,413)
Changes in assets and liabilities		
Pledges and other receivables	(9,761)	29,495
Inventory	5,496	1,975
Other assets	-	1,335
Accounts payable	(12,544)	7,988
Cash provided (used) by operating activities	<u>41,810</u>	<u>(73,169)</u>
Cash flow from investing activities		
Proceeds from sale of investments	12,726	1,400
Purchase of investments	(6,673)	-
Cash provided by investing activities	<u>6,053</u>	<u>1,400</u>
Change in cash	47,863	(71,769)
Beginning cash	<u>358,493</u>	<u>430,262</u>
Ending cash	<u>\$ 406,356</u>	<u>\$ 358,493</u>

See accompanying notes and independent auditors' report

RESOURCE EXCHANGE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF 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 (the "Code"), and is not a private foundation under section 509(a)(2) of the Code. 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.

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.

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 affect the reported amounts of assets and liabilities and disclosures 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.

Classes of net assets - The financial statements report amounts by the following classes of net assets:

- *Unrestricted net assets* are those currently available under the direction of the board and those resources invested in furniture and equipment.
- *Temporarily restricted net assets* are those currently contributed with donor stipulations for specific operating purposes or programs.

RESOURCE EXCHANGE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF ACCOUNTING POLICIES - Continued

Definition of cash - Cash consists of checking, savings, money market accounts and certificates of deposit with initial maturity of less than 3 months.

Pledges and other receivables - Pledges and other receivables consist of unconditional promises to give from individuals and advances to employees. The promises to give are recorded as receivables and revenue and REI distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. All promises to give are expected to be collected within one year. Management closely monitors outstanding receivable balances and establishes an allowance for doubtful accounts based on its evaluation of collectability. All receivables at December 31, 2012 and 2011 were considered fully collectible, therefore no allowance has been established.

Investments - Investments in equity securities with readily determinable fair values are reported at quoted market price with gains and losses included in the statement of activities. Investments in certificates of deposits are reported at cost. Donated investments are recorded at the estimated fair market value on the date of the gift.

Inventory - Inventory is recorded at the lower of cost, estimated market value at donation date, or market, using the first-in, first-out (FIFO) method, and consists of donated books, pamphlets, and medical supplies.

Furniture and equipment and depreciation - Furniture and equipment are recorded at cost or, if donated, at estimated fair value at the date of receipt. Furniture and equipment donated with restrictions regarding their use and contributions of cash to acquire furniture and equipment are reported as restricted support. Absent any donor stipulations, these restrictions expire when the asset is acquired or placed in service, and a reclassification is made from temporarily restricted net assets to unrestricted net assets at that time. Depreciation is provided on the straight-line method over an estimated useful life ranging from three to seven years. Fixed asset purchases exceeding \$1,000 are capitalized with lesser amounts expensed in the year purchased.

Support, revenue, reclassifications, and expenses - Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to REI. Gifts of cash and other assets are reported as restricted support if received with donor stipulations limiting the use of the donation. When a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Expenses are recorded when costs are incurred. The costs of providing various program services and supporting activities have been summarized on a functional basis. Accordingly, certain costs, such as depreciation and salaries, have been allocated among the program services and supporting activities.

Gifts in kind - Gifts in kind consist mainly of donated books, pamphlets, and medical supplies. These items are inventoried by REI and then used in its resource exchange program.

RESOURCE EXCHANGE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF ACCOUNTING POLICIES - Continued

Contributed services - Several of REI's personnel are employees of another 501(c)(3) organization with similar program objectives. These employees are "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. Included in expenses and temporarily restricted contributions for the years ended December 31, 2012 and 2011, is \$732,400 and \$538,457 in contributed services. 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.

Allocation of expenses - The costs of providing program services and supporting activities have been summarized on a functional basis in the statements of activities and schedules of functional expense. Accordingly, certain costs relating to more than one function such as payroll and depreciation have been allocated among the program services and supporting activities benefited.

NOTE 1 – 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 has access to the funds by requesting a disbursement and providing any required supporting documentation. The funds are held in mutual funds and securities and are carried at fair market value. The value of the funds included in the net assets of New Horizons Foundation, Inc. was \$32,414 and \$35,892 at December 31, 2012 and 2011.

NOTE 2 – INVESTMENTS

At December 31, investments consisted of:

	(Audited)	(Reviewed)
	2012	2011
Certificates of deposit	\$ 104,478	\$ 103,748
Equity securities	-	4,936
	<u>\$ 104,478</u>	<u>\$ 108,684</u>

RESOURCE EXCHANGE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment:

	(Audited) 2012	(Reviewed) 2011	Estimated useful lives
Computers and equipment	\$ 26,842	\$ 26,842	3-5 years
Furniture	8,241	8,241	7 years
	<u>35,083</u>	<u>35,083</u>	
Less accumulated depreciation	(34,296)	(33,616)	
	<u>\$ 787</u>	<u>\$ 1,467</u>	

Depreciation expense was \$680 and \$796 for the years ended December 31, 2012 and 2011.

NOTE 4 – TEMPORARILY RESTRICTED ASSETS

Changes in temporarily restricted assets consist of:

(Audited) 2012	Beginning balance	Additions	Satisfied	Ending balance
China	\$ 8,583	\$ -	\$ (8,583)	\$ -
Cuba	20,316	3,510	(2,930)	20,896
Djibouti	10,839	14,604	(10,833)	14,610
Egypt	3,833	38,097	(39,843)	2,087
Indonesia	24,794	170,562	(57,367)	137,989
Israel	-	67,287	(63,512)	3,775
Jordan	4,293	57,865	(61,438)	720
Kazakhstan	-	19,170	(19,021)	149
Philippines	801	2,630	(3,035)	396
Laos	91,898	11,808	(12,881)	90,825
Kyrgyzstan	105	25,540	(25,503)	142
Vietnam	94,993	615,407	(674,609)	35,791
Corporate	43,738	112,229	(120,219)	35,748
In kind	-	191,993	(191,993)	-
Time	35,515	-	(35,515)	-
	<u>\$ 339,708</u>	<u>\$ 1,330,702</u>	<u>\$ (1,327,282)</u>	<u>\$ 343,128</u>

RESOURCE EXCHANGE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – TEMPORARILY RESTRICTED ASSETS - Continued

(Reviewed) 2011	Beginning balance	Additions	Satisfied	Ending balance
China	\$ -	\$ 8,593	\$ (10)	\$ 8,583
Cuba	19,338	4,050	(3,072)	20,316
Djibouti	5,152	10,489	(4,802)	10,839
Egypt	7,536	41,310	(45,013)	3,833
Indonesia	62,591	87,160	(124,957)	24,794
Jordan	-	61,231	(56,938)	4,293
Kazakhstan	3,972	18,906	(22,878)	-
Persian Gulf	2,374	-	(2,374)	-
Philippines	1,306	18,801	(19,306)	801
Laos	90,860	3,668	(2,630)	91,898
Kyrgyzstan	-	28,361	(28,256)	105
Vietnam	92,412	934,593	(932,012)	94,993
Corporate	24,833	327,690	(308,785)	43,738
Time	64,125	35,515	(64,125)	35,515
	<u>\$ 374,499</u>	<u>\$ 1,580,367</u>	<u>\$ (1,615,158)</u>	<u>\$ 339,708</u>

NOTE 5 – OPERATING LEASES

REI leases office space under a lease agreement expiring on August 31, 2017. REI Vietnam leases office space in Hanoi under a 5 year lease agreement expiring in 2013 for \$300 per month. Rent expense for the periods ending December 31, 2012 and 2011 was \$55,989 and \$49,435.

Future minimum lease payments are:

<u>December 31,</u>	
2013	\$ 57,720
2014	57,720
2015	57,720
2016	57,720
2017	38,480
Total	<u>\$ 269,360</u>

RESOURCE EXCHANGE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – 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 years ended:

December 31, 2012 (Audited)				
Description	Fair value	Fair value inputs		
		Level 1	Level 2	Level 3
Certificates of deposit	\$ 104,478	\$ 104,478	\$ -	\$ -
Equity securities	\$ -	\$ -	\$ -	\$ -
Interest in net assets of New Horizons Foundation, Inc.	\$ 32,414	\$ -	\$ -	\$ 32,414

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 2012:

Balance, December 31, 2011	\$ 35,892
Purchases, issuances, and settlements	(2,057)
Unrealized loss	(1,421)
Balance, December 31, 2012	<u>\$ 32,414</u>

December 31, 2011 (Reviewed)				
Description	Fair value	Fair value inputs		
		Level 1	Level 2	Level 3
Certificates of deposit	\$ 103,748	\$ 103,748	\$ -	\$ -
Equity Securities	\$ 4,936	\$ 4,936	\$ -	\$ -
Interest in net assets of New Horizons Foundation, Inc.	\$ 35,892	\$ -	\$ -	\$ 35,892

RESOURCE EXCHANGE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – 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 2011:

Balance, December 31, 2010	\$ 38,633
Purchases, issuances, and settlements	1,818
Transfers and other activity	<u>(4,559)</u>
Balance, December 31, 2011	<u>\$ 35,892</u>

NOTE 7 – CONCENTRATIONS OF CREDIT RISK

Throughout the year, the REI has cash deposits at a financial institution in excess of federally insured limits. REI has not experienced losses as a result of following this policy and believes it is not exposed to any significant credit risk.

NOTE 8 – 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, 2012, the information returns for three prior years are considered open for Internal Revenue Service examination.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 25, 2013, the date on which the financial statements were available to be issued.