

**INTERACT MINISTRIES, INC.**

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2012

*Prepared by*  
BYERS & HURLBURT, LLC.  
CERTIFIED PUBLIC ACCOUNTANTS  
LAKE OSWEGO, OREGON

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BYERS & HURLBURT, LLC  
CERTIFIED PUBLIC ACCOUNTANTS

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*To the Board of Directors  
InterAct Ministries, Inc.  
Boring, Oregon*

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of financial position of Interact Ministries, Inc. (a nonprofit corporation) as of March 31, 2012, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 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 audit provides 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 Interact Ministries, Inc., as of March 31, 2012 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of program expenses and supporting services are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Byers & Hurlburt, LLC*

Lake Oswego, Oregon  
June 20, 2012

INTERACT MINISTRIES, INC.  
**STATEMENT OF FINANCIAL POSITION**  
MARCH 31, 2012

<b>Assets</b>	
<i>Current assets:</i>	
Cash and cash equivalents	\$ 156,239
Investments at fair market value	1,550,338
Prepaid expenses	9,225
<b>Total current assets</b>	<b>1,715,802</b>
<i>Property and equipment:</i>	
Land	164,270
Building	1,093,756
Equipment	116,140
Automobiles and aircraft	10,500
Less accumulated depreciation	(1,091,919)
<b>Net property and equipment</b>	<b>292,747</b>
<i>Other assets:</i>	
Deposits	5,121
<b>Total other assets</b>	<b>5,121</b>
<b>Total assets</b>	<b>\$ 2,013,670</b>
<b>Liabilities and Net Assets</b>	
<i>Current liabilities:</i>	
Accounts payable	\$ 22,470
Accrued expenses	23,160
<b>Total current liabilities</b>	<b>45,630</b>
<i>Long-term liabilities:</i>	
Gift annuity obligations	42,777
Unitrust obligations	131,670
Revocable trust obligations	24,500
<b>Total long-term liabilities</b>	<b>198,947</b>
<b>Total liabilities</b>	<b>244,577</b>
<i>Net assets</i>	
Unrestricted	1,535,618
Temporarily restricted	233,475
<b>Total net assets</b>	<b>1,769,093</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,013,670</b>

See notes to financial statements.

INTERACT MINISTRIES, INC.  
**STATEMENT OF ACTIVITIES**  
YEAR ENDED MARCH 31, 2012

<b><i>Unrestricted Net Assets</i></b>	
<i>Revenue and Support:</i>	
Contributions	2,324,866
Service and rental fees	82,326
Investment income	41,219
Sales of merchandise	13,089
<b>Total unrestricted revenue</b>	<b>2,461,500</b>
 <i>Net assets released from restrictions:</i>	
Restrictions satisfied by payments	14,889
<b>Total unrestricted revenue and other support</b>	<b>2,476,389</b>
 <i>Expenses:</i>	
Program services --	
Bible school and training	26,307
Church planting and evangelism	364,577
Community development	444,494
Canada	841,210
Home ministry	1,668
Other programs and ministries	95,669
Supporting services --	
Administrative and general	385,807
Fund raising	78,360
Program support	351,961
<b>Total expenses</b>	<b>2,590,053</b>
<b>Increase (decrease) in unrestricted net assets</b>	<b>(113,664)</b>
 <b><i>Temporarily Restricted Net Assets</i></b>	
Investment income	14,889
Net assets released from restrictions	(14,889)
<b>Increase (decrease) in temporarily restricted net assets</b>	<b>-</b>
<b>Increase (decrease) in net assets</b>	<b>(113,664)</b>
 Net assets, beginning of period	 1,882,757
<b>Net assets, end of period</b>	<b>1,769,093</b>

See notes to financial statements.

INTERACT MINISTRIES, INC.  
**STATEMENT OF CASH FLOWS**  
YEAR ENDED MARCH 31, 2012

<b><i>Cash flows from operating activities:</i></b>	
Increase (decrease) in net assets	\$ (113,664)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization expense	24,198
Realized gains (losses)	2,747
Deposits	9,978
Accounts payable	(7,545)
Accrued expenses	10,551
Annuity, unitrust and revocable trust obligations	32,760
Net cash provided (used) in operating activities	(40,975)
<b><i>Cash flows from investing activities:</i></b>	
Payments received on contract receivable	751
Net change in investments	76,368
Net cash provided (used) by investing activities	77,119
Net increase (decrease) in cash and cash equivalents	36,144
Cash and cash equivalents, beginning of year	120,095
Cash and cash equivalents, end of year	\$ 156,239
<b><i>Supplemental disclosure of cash flow information:</i></b>	
Interest paid	\$ -
Income taxes paid	\$ -
See notes to financial statements.	

INTERACT MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2012

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1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

*Nature of organization* – Interact Ministries, Inc. (the Organization) is a religious organization associated with churches of the Protestant faith.

*Nature of activities* – The general office is located in Boring, Oregon, and serves missionaries in Alaska, Canada, and Russia. The purpose of the Organization is to glorify God by seeking to fulfill the Great Commission of “making disciples of all nations” through the establishment of indigenous churches among unreached people and groups. Operations are supported largely by contributions from individuals and churches interested in supporting the work of the missionaries.

*Basis of accounting* – The financial statements of the Organization have been prepared on the accrual basis of accounting.

*Basis of presentation* – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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

- \* *Unrestricted net assets* – Net assets not subject to donor imposed restrictions.
- \* *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that will be met either by actions of the organization and/or the passage of time. The Organization had temporarily restricted net assets of \$233,475 as of March 31, 2012. These temporarily restricted net assets arise from

donations made to the entity and annuities calculated using actuarial tables.

- \* *Permanently restricted net assets* – Net assets that result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Organization’s actions. The Organization has no permanently restricted net assets at March 31, 2012.

*Cash and cash equivalents* – For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

*Investments* – Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

*Property and equipment* – Expenditures for land, buildings, equipment, and automobiles over \$5,000 are capitalized at cost. Donated assets to be used in the ministry are capitalized at their fair market value on the date of the gift. Depreciation of buildings, equipment, and automobiles is computed by the straight-line method over the estimated useful lives of the assets (buildings up to 40 years and equipment and automobiles up to 5 years).

*Allocation of expenses* – The cost of providing the various programs and supporting activities of the Organization have been summarized in the statement of activities. Accordingly, certain functional costs have been allocated among the program and supporting activities.

*Advertising* – Advertising and public relations costs are expensed as incurred and netted \$644 for 2012.

*Donated services* – Support arising from contributed services of volunteers has not been recognized in the accompanying financial statements.

*Use of estimates* – The preparation of the financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

INTERACT MINISTRIES, INC.  
**NOTES TO FINANCIAL STATEMENTS**  
YEAR ENDED MARCH 31, 2012

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1. NATURE OF ORGANIZATION AND  
SIGNIFICANT ACCOUNTING POLICIES –  
(continued)

*Income taxes* – No provision for income taxes has been provided because the Organization is exempt from paying income taxes under Internal Revenue Code Section 501(c)(3).

*Reclassifications* - Certain accounts in the prior-year financial statements have been reclassified for comparative purpose to conform with the presentation in the current-year financial statements.

*Subsequent events* - Management has evaluated subsequent events through June 20, 2012, the date the financial statements were available to be issued.

2. FAIR VALUES OF FINANCIAL  
INSTRUMENTS

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at March 31, 2012, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

3. AFFILIATED MINISTRY

The Organization had a joint ministry agreement, with Interact Ministries, Canada, (IMC). The organizations are separate entities; however, they have the same goals and a common mission. In addition, they share an Executive Director and have one common Board member.

4. COMPENSATED ABSENCES

The organization does not accrue compensated absences.

5. CONCENTRATIONS OF CREDIT RISK ARISING  
FROM CASH DEPOSITS IN EXCESS OF INSURED  
LIMITS

Effective December 31, 2010 and terminating December 31, 2012 all funds held in non-interest bearing transaction accounts at FDIC-insured depository institutions are fully insured.

Effective October 3, 2008 and terminating December 31, 2013 all other deposit accounts at FDIC-insured institutions are insured up to \$250,000 per depositor.

Investment account balances are insured by the Security Investor Protection Organization (SIPC) up to \$500,000.

At March 31, 2012, the Organization had no uninsured cash or investment balances in excess of insured limits.

6. INVESTMENTS

The Organization's investments in brokerage accounts at March 31, 2012 are reported based on quoted market prices as follows:

Cash	\$ 262,589
Government securities	556,895
Corporate bonds	10,899
Stock	120,898
Mutual funds	<u>599,056</u>
Total	<u>\$1,550,338</u>



INTERACT MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2012

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7. ASSETS HELD IN TRUST

Interact Ministries, Inc. has a Deferred Giving Program for which fund assets are held in trust by an outside fiscal agent. Trust assets included in the Deferred Giving Program include gift annuities, revocable trusts, and charitable remainder unitrusts. These trust accounts are further described as follows:

*Gift annuities* – In the gift annuity plan, donors contribute assets to the Organization in exchange for the right to receive a fixed-dollar annual return during their lifetime.

The difference between the amount provided for the gift annuity and the liability for future payments, determined on an actuarial basis, is recognized as temporarily restricted contributions income at the date of the gift unless the gift portion is unrestricted. Income earned on annuity investments and distributions paid are credited and charged, respectively, against temporarily restricted revenue unless the annuity agreement stipulates the disposition of any remaining actuarial value.

The liability is revalued annually based upon actuarially-computed present values. The resulting actuarial gain or loss is recorded as other restricted revenue in the statements of activities. Reserves required by state law, in excess of the computed liability, are reported as temporarily restricted net assets.

*Revocable trust* – As trustee, the Organization administers revocable (grantor) trusts that provide for a beneficial interest to the Organization at the grantor's death. Because the trusts are revocable at the discretion of the grantor, the principal amounts provided are recorded as liabilities. At the grantor's death, the remaining trusts' assets will be recorded as contribution income.

*Irrevocable and charitable remainder unitrusts* – As trustee, the Organization administers irrevocable and charitable remainder unitrusts. These trusts provide for the payment of lifetime distributions to the grantor or other designated beneficiaries.

Upon the death of the lifetime beneficiaries, the trusts provide for the distribution of assets to designated charitable remaindermen. The portion of the trusts attributable to the future interest of the Organization is recorded on the statements of activities as temporarily restricted contributions in the period received.

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SUPPLEMENTARY INFORMATION

INTERACT MINISTRIES, INC.  
**SUPPLEMENTAL SCHEDULE OF PROGRAM EXPENSES**  
 YEAR ENDED MARCH 31, 2012

<b><i>Bible school and training:</i></b>	
Salary expense	\$ 20,462
Payroll taxes	1,602
Equipment purchases	808
MER reimbursement	3,435
<b>Total bible school and training</b>	<b>\$ 26,307</b>
<b><i>Church planting and evangelism:</i></b>	
Clerical salaries	\$ 819
Salary expense	265,358
Payroll taxes	11,698
Worker's comp insurance	5,589
Staff training	175
Member care	57
Office supplies	282
Printing supplies and printing services	319
Telephone expense	2,659
Postage and shipping	214
Advertising	43
Vehicle rental	628
Commercial travel	9,378
Motel and meeting rooms	1,130
Food for meetings	1,138
Speaker honoraria	492
Missionary conferences	1,000
Seminars and registrations	350
Miscellaneous	220
Grants to U.S. affiliates	338
MER reimbursement	62,690
<b>Total church planting and evangelism</b>	<b>\$ 364,577</b>

INTERACT MINISTRIES, INC.  
**SUPPLEMENTAL SCHEDULE OF PROGRAM EXPENSES**  
YEAR ENDED MARCH 31, 2012

<b><i>Community development:</i></b>	
Salary expense	\$ 210,415
Medical insurance premiums	97
Payroll taxes	10,938
Staff training	208
Professional services	801
Office supplies	88
Telephone expense	146
Postage and shipping	123
Vehicle rental	119
Mileage reimbursement	418
Entertainment and meals	137
Commercial travel	11,396
Motel and meeting rooms	1,108
Food for meetings	798
Missionary conferences	3,429
Miscellaneous expense	324
Grants to Russia	178,134
MER reimbursement	25,815
<b>Total community development</b>	<b>\$ 444,494</b>
<b><i>Canada:</i></b>	
Professional services	\$ 503
Telephone expenses	2
Computers and communications	260
Vehicle gas and oil	104
Mileage reimbursement	137
Miscellaneous	179
Grants to Canada	840,025
<b>Total Canada</b>	<b>\$ 841,210</b>
<b><i>Home ministry:</i></b>	
Salary expense	\$ 11
Stagg training	870
Professional services	353
Computers and communications	85
MER reimbursment	349
<b>Total home ministry</b>	<b>\$ 1,668</b>
<b><i>Other programs and ministries:</i></b>	
Medical reimbursement	\$ 28,005
Interest	32,760
Building maintenance	500
Equipment purchases	375
Grants to Canada	1,601
MER reimbursement	32,428
<b>Total other programs and ministries</b>	<b>\$ 95,669</b>

INTERACT MINISTRIES, INC.  
**SUPPLEMENTAL SCHEDULE OF SUPPORTING SERVICES**  
YEAR ENDED MARCH 31, 2012

<i>Administrative and general:</i>	
Executive salaries	\$ 90,904
Clerical salaries	33,454
Salary expense	118,581
Payroll taxes	11,570
Worker's comp insurance	619
Staff training	819
Member care	65
Public relations	83
Professional services	11,935
Liability insurance	1,435
Office supplies	6,437
Printing and printing supplies	4,997
General supplies and services	109
Telephone expense	4,226
Computers and communications	17,045
Postage and shipping	10,724
Building and equipment insurance	1,435
Utilities	4,972
Interest expense	18,227
Real estate taxes	1,408
Grounds maintenance	5,302
Building maintenance	1,686
Equipment maintenance	3,421
Artwork and graphics for printing	500
Subscriptions and periodicals	817
Advertising	601
Vehicle gas and oil	2,728
Vehicle rental	2,874
Mileage reimbursement	266
Entertainment and meals	2,456
Commercial travel	18,844
Motel and meetings rooms	5,203
Food for meetings	966
Speaker honoraria	800
Missionary conferences	790
Seminars and registrations	1,082
Organization dues	2,186
Founder honorarium	6,600
Miscellaneous expense	1,593
Grants to Canada	104
Depreciation	7,095
MER reimbursement	(19,152)
<b>Total administrative and general</b>	<b>\$ 385,807</b>

INTERACT MINISTRIES, INC.  
SUPPLEMENTAL SCHEDULE OF SUPPORTING SERVICES  
YEAR ENDED MARCH 31, 2012

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<i><b>Fund raising:</b></i>	
Executive salaries	\$ 48,000
Payroll taxes	3,672
Staff training	59
Professional services	2,285
Office supplies	118
Printing and printing supplies	6,188
Computers and communications	99
Postage and shipping	1,117
Interest expense	780
Subscriptions and periodicals	57
Mailing services	1,063
Vehicle gas and oil	226
Vehicle rental	219
Mileage reimbursement	801
Entertainment and meals	491
Commercial travel	855
Motel and meeting rooms	1,327
Food for meetings	7,823
Speaker honoraria	275
Missionary conferences	231
Seminars and registrations	429
Organization dues	1,860
Miscellaneous expense	385
<b>Total fund raising</b>	<b>\$ 78,360</b>

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INTERACT MINISTRIES, INC.  
**SUPPLEMENTAL SCHEDULE OF SUPPORTING SERVICES**  
 YEAR ENDED MARCH 31, 2012

<i><b>Program support:</b></i>	
Clerical salaries	\$ 880
Salary expense	202,302
Payroll taxes	7,690
Liability insurance	587
Office supplies	45
General supplies and services	44
Building and equipment insurance	2,595
Utilities	17,188
Real estate taxes	20,446
Grounds maintenance	1,128
Building maintenance	16,770
Equipment maintenance	281
Equipment purchases	943
Vehicle gas and oil	2,037
Vehicle repair, insurance and license	899
Vehicle rental	83
Mileage reimbursement	100
Commercial travel	1,034
Food for meetings	89
Grants to U.S. affiliates	10,000
Depreciation expense	17,104
MER reimbursement	49,716
<b>Total program support</b>	<b>\$ 351,961</b>