

AFRICAN LEADERSHIP AND RECONCILIATION MINISTRIES OF TEXAS

**FINANCIAL STATEMENTS
and
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2008 and 2007

African Leadership and Reconciliation Ministries of Texas
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December 31, 2008 and 2007

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INDEPENDENT AUDITORS' REPORT

To the Boards of Directors
African Leadership and Reconciliation Ministries of Texas

We have audited the accompanying statements of financial position of African Leadership and Reconciliation Ministries of Texas as of December 31, 2008 and 2007, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organizations' 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 African Leadership and Reconciliation Ministries of Texas as of December 31, 2008 and 2007, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Salmon Sims Thomas and Associates
A Professional Limited Liability Company

Dallas, Texas
April 15, 2009

African Leadership and Reconciliation Ministries of Texas
Statements of Financial Position
December 31, 2008 and 2007

ASSETS

	2008	2007
Cash	\$ 115,070	\$ 210,072
Accounts receivable	-	7,337
Prepaid expenses	-	40,231
Property and equipment, net	3,023	2,150
Other assets	2,940	3,710
TOTAL ASSETS	\$ 121,033	\$ 263,500

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 5,856	\$ 5,583
Deferred rent	9,517	-
Total Liabilities	15,373	5,583

Net Assets

Unrestricted	(27,376)	29,147
Temporarily restricted	133,036	228,770
Total Net Assets	105,660	257,917

TOTAL LIABILITIES AND NET ASSETS	\$ 121,033	\$ 263,500
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The accompanying notes are an integral part of these financial statements.

African Leadership and Reconciliation Ministries of Texas
Statement of Activities
For the Year Ended December 31, 2008

	Unrestricted	Temporarily Restricted	Total
Revenues and Support			
Contributions and grants	\$ 1,038,946	\$ 2,185,183	\$ 3,224,129
Net assets released from restriction	2,280,917	(2,280,917)	-
Total Revenues and Support	3,319,863	(95,734)	3,224,129
Expenses			
Program services	3,059,108	-	3,059,108
Supporting services	230,971	-	230,971
Fundraising	86,307	-	86,307
Total Expenses	3,376,386	-	3,376,386
Decrease in Net Assets	\$ (56,523)	\$ (95,734)	\$ (152,257)

The accompanying notes are an integral part of this financial statement.

African Leadership and Reconciliation Ministries of Texas
Statement of Activities
For the Year Ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support			
Contributions and grants	\$ 845,216	\$ 1,642,746	\$ 2,487,962
Net assets released from restriction	1,529,880	(1,529,880)	-
Total Revenues and Support	<u>2,375,096</u>	<u>112,866</u>	<u>2,487,962</u>
Expenses			
Program services	2,287,456	-	2,287,456
Supporting services	114,298	-	114,298
Fundraising	77,912	-	77,912
Total Expenses	<u>2,479,666</u>	<u>-</u>	<u>2,479,666</u>
Increase (Decrease) in Net Assets	<u>\$ (104,570)</u>	<u>\$ 112,866</u>	<u>\$ 8,296</u>

The accompanying notes are an integral part of this financial statement.

African Leadership and Reconciliation Ministries of Texas
Statements of Changes in Net Assets
For the Years Ended December 31, 2008 and 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net Assets, December 31, 2006	\$ 133,717	\$ 115,904	\$ 249,621
Increase (Decrease) in Net Assets	<u>(104,570)</u>	<u>112,866</u>	<u>8,296</u>
Net Assets, December 31, 2007	29,147	228,770	257,917
Decrease in Net Assets	<u>(56,523)</u>	<u>(95,734)</u>	<u>(152,257)</u>
Net Assets, December 31, 2008	<u>\$ (27,376)</u>	<u>\$ 133,036</u>	<u>\$ 105,660</u>

The accompanying notes are an integral part of these financial statements.

African Leadership and Reconciliation Ministries of Texas
Statement of Functional Expenses
For the Year Ended December 31, 2008

	<u>Program</u>	<u>Supporting</u>	<u>Fundraising</u>	<u>Total</u>
Salary, officer and other	\$ 194,414	\$ 88,004	\$ 49,004	\$ 331,422
Payroll taxes	18,360	2,479	3,934	24,773
Payroll processing fees	1,507	156	323	1,986
Medical insurance, officer and other	34,162	17,392	8,976	60,530
Medical reimbursements	-	8,431	-	8,431
Employer 403(b)	2,484	1,204	666	4,354
Independent contract	1,500	8,516	7,860	17,876
Auto expense - gas and mileage	-	6,616	-	6,616
Bank fees	-	1,605	-	1,605
Books and subscriptions	-	3,580	564	4,144
Depreciation expense	-	937	-	937
Dues and subscriptions	-	3,007	-	3,007
Insurance expense	-	750	-	750
Internet costs	208	747	309	1,264
Project	12,606	-	-	12,606
Miscellaneous	-	4,478	-	4,478
Office supplies, computer, equipment and other	-	17,979	-	17,979
Postage and delivery	-	9,241	1,330	10,571
Printing and copies	-	4,128	4,719	8,847
Professional fees	-	1,997	-	1,997
Rental - office	20,851	4,616	4,469	29,936
Telephone	13,492	5,276	2,930	21,698
Travel and other	11,008	39,832	1,223	52,063
Program grants	2,748,516	-	-	2,748,516
	<u>\$ 3,059,108</u>	<u>\$ 230,971</u>	<u>\$ 86,307</u>	<u>\$ 3,376,386</u>

The accompanying notes are an integral part of this financial statement.

African Leadership and Reconciliation Ministries of Texas
Statement of Functional Expenses
For the Year Ended December 31, 2007

	<u>Program</u>	<u>Supporting</u>	<u>Fundraising</u>	<u>Total</u>
Salary, officer and other	\$ 157,632	\$ 41,964	\$ 41,648	\$ 241,244
Payroll taxes	14,438	1,185	3,094	18,717
Payroll processing fees	1,235	-	271	1,506
Medical insurance, officer and other	19,370	8,074	5,334	32,778
Medical reimbursements	500	3,554	360	4,414
Independent contract	-	50	1,100	1,150
Auto expense - gas and mileage	-	2,537	-	2,537
Books and subscriptions	-	3,760	1,883	5,643
Depreciation expense	-	823	-	823
Dues and subscriptions	-	2,263	-	2,263
Insurance expense	-	1,644	-	1,644
Internet costs	123	2,010	16	2,149
Miscellaneous	-	4,177	-	4,177
Office supplies, computer, equipment and other	-	8,651	-	8,651
Postage and delivery	-	5,247	1,198	6,445
Printing and copies	-	3,152	6,942	10,094
Professional fees	-	290	-	290
Rental - office	9,767	-	1,720	11,487
Telephone	13,013	5,290	3,810	22,113
Travel and other	29,027	19,627	10,536	59,190
Program grants	2,042,351	-	-	2,042,351
	<u>\$ 2,287,456</u>	<u>\$ 114,298</u>	<u>\$ 77,912</u>	<u>\$ 2,479,666</u>

The accompanying notes are an integral part of this financial statement.

African Leadership and Reconciliation Ministries of Texas
Statements of Cash Flows
For the Years Ended December 31, 2008 and 2007

	2008	2007
Cash Flows From Operating Activities		
Increase (Decrease) in net assets	\$ (152,257)	\$ 8,296
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	937	823
(Increase) decrease in assets		
Accounts receivable	7,337	(7,337)
Prepaid expenses	40,231	(37,382)
Other assets	770	(3,710)
Increase in liabilities		
Accounts payable and other liabilities	273	108,300
Deferred rent	9,517	-
Net Cash Provided (Used) by Operating Activities	(93,192)	68,990
 Cash Flows From Investing Activities		
Purchase of equipment	(1,810)	(435)
Net Increase (Decrease) in Cash	(95,002)	68,555
 Cash, beginning of year	210,072	141,517
 Cash, end of year	\$ 115,070	\$ 210,072
 Supplemental Cash Flow Information		
Interest paid	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

African Leadership and Reconciliation Ministries of Texas
Notes to Financial Statements
December 31, 2008 and 2007

NOTE 1: ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

The summary of significant accounting policies of African Leadership and Reconciliation Ministries of Texas (Organization or ALARM) is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Organization – The Organization was established in 1994. The goal of the Organization is to strengthen and empower the African church by equipping the untrained leadership with basic pastoral skill and ministerial tools. The Organization has partnered with a separate, independent African organization that receives grants from ALARM; this sister organization, in turn, distributes these resources to specific ministry office in various African countries. The Organization's passion is to enable the African leaders to develop Bible-based churches that are spiritually vibrant and whose message is culturally relevant, ministering to the whole person and bringing hope and healing to the hurting communities. The aim of leadership development is to help men and women love what God loves and love as God loves, encouraging Christlikeness in their passions, their thinking, and their service to the church. The Organization is primarily funded by individuals, churches and foundations.

Cash and Cash Equivalents - For purposes of the Statement of Cash Flows, the Organization considers all investments with original maturity dates of ninety days or less to be cash equivalents. The Organization places cash and cash equivalents, which at times may exceed federally-insured limits, with high-credit quality financial institutions. The Organization has not experienced any losses on such assets.

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

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporarily restricted net assets (*i.e.*, the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Contributions of assets other than cash are recorded at their estimated fair value.

African Leadership and Reconciliation Ministries of Texas
Notes to Financial Statements
December 31, 2008 and 2007

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Income Taxes - The Organization is a nonprofit organization that is publicly supported and is exempt from federal income taxes under Internal Revenue Code Section 501(a) as a 501(c) (3) organization. Accordingly, no federal income tax is recorded in the accompanying financial statements.

Use of Estimates - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those assumed in recording the functional allocation of expenses and depreciable lives of fixed assets. It is at least reasonably possible that the significant estimates used will change within the next year.

Functional Allocation of Expenses - The costs of providing the various program and supporting services have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Property and Equipment - Property and equipment are stated at cost when purchased, or fair market value at the date the equipment is donated, less accumulated depreciation. Major expenditures and expenditures which substantially increase useful lives are capitalized. Maintenance, repairs, and replacements, which do not improve or extend the lives of the respective assets, are charged to operations when incurred. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation are removed, and any gain or loss is included in operations.

Depreciation is calculated using the straight-line method at rates sufficient to amortize the related costs over the estimated useful lives of the respective assets. Estimated useful lives as of December 31, 2008 are as follows:

Office equipment	3-5 years
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Donated Assets and Services - Donations of noncash assets are recorded as contributions at their estimated fair value.

Donated services are recognized as contributions in accordance with SFAS 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Accordingly, a substantial number of volunteers have donated significant amounts of their time to the Organization and its educational programs; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

African Leadership and Reconciliation Ministries of Texas
Notes to Financial Statements
December 31, 2008 and 2007

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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

NOTE 2: PROPERTY AND EQUIPMENT

Property and equipment at December 31 consisted of the following:

	<u>2008</u>	<u>2007</u>
Furniture and equipment	\$ 12,391	\$ 10,581
Less: accumulated depreciation	<u>(9,368)</u>	<u>(8,431)</u>
Total	<u>\$ 3,023</u>	<u>\$ 2,150</u>

Depreciation expense related to these assets for 2008 and 2007 totaled \$937 and \$823, respectively.

NOTE 3: RETIREMENT PLAN

Beginning August 1, 2008, the Organization made available to its employees a defined contribution pension plan under IRS Code Section 403(B). The Organization may make contributions to the plan at their discretion. Contributions totaling \$4,354 for the year ended December 31, 2008 were made by the Organization, in addition to the elective deferrals made by employees.

NOTE 4: OPERATING LEASES

The Organization entered into a noncancellable operating lease for its office facilities in July, 2008. This lease expires in 2013.

Future minimum annual lease payments for years ending December 31 are approximately as follows:

2009	\$ 31,900
2010	34,400
2011	35,300
2012	36,200
2013	18,200
Thereafter	-
	<u>\$ 156,000</u>

Rent expense for 2008 and 2007 totaled approximately \$29,936 and \$11,487, respectively.

African Leadership and Reconciliation Ministries of Texas
Notes to Financial Statements
December 31, 2008 and 2007

NOTE 5: PROGRAM GRANTS

As mentioned above, the Organization is affiliated with a “sister” ministry that has offices in eight countries in Africa in addition to a regional office. Organization revenues received which are restricted for African programs are subsequently sent to these offices in the form of program grants. Once received, the African ministries distribute the funds to the various programs.

Program grants at December 31 consisted of the following:

	<u>2008</u>	<u>2007</u>
Regional office	\$ 564,568	\$ 281,493
Burundi	206,005	171,310
Congo	135,433	176,558
Kenya	259,868	123,900
Rwanda	277,193	323,891
Sudan	697,294	685,695
Tanzania	100,057	46,925
Uganda	300,537	130,411
Zambia	207,561	102,138
Total	<u>\$ 2,748,516</u>	<u>\$ 2,042,321</u>