

**AFRICAN LEADERSHIP AND
RECONCILIATION MINISTRIES OF TEXAS**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2016 AND 2015

African Leadership and Reconciliation Ministries of Texas
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December 31, 2016 and 2015

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SALMON SIMS THOMAS

Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of African Leadership and Reconciliation Ministries of Texas (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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.

Auditors' Responsibility

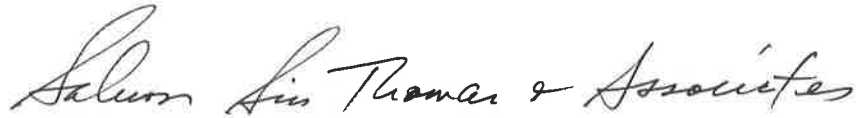
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 auditors' 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 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.

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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Salmon Sims Thomas & Associates".

Salmon Sims Thomas & Associates
A Professional Limited Liability Company

May 3, 2017

African Leadership and Reconciliation Ministries of Texas
Statements of Financial Position
December 31, 2016 and 2015

ASSETS

	2016	2015
Cash and cash equivalents	\$ 473,268	\$ 359,178
Property and equipment, net	13,423	25,208
Deposits	3,150	3,150
 TOTAL ASSETS	 \$ 489,841	 \$ 387,536

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 3,796	\$ 2,456
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Net Assets (Deficit)

Unrestricted	106,929	(76,779)
Temporarily restricted	379,116	461,859
Total Net Assets	486,045	385,080

 TOTAL LIABILITIES AND NET ASSETS	 \$ 489,841	 \$ 387,536
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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 and Changes in Net Assets
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support			
Contributions and grants	\$ 1,535,500	\$ 1,382,741	\$ 2,918,241
Net assets released from restriction	1,465,484	(1,465,484)	-
Total Revenues and Support	<u>3,000,984</u>	<u>(82,743)</u>	<u>2,918,241</u>
Expenses			
Program services	2,260,326	-	2,260,326
Supporting services	290,157	-	290,157
Fundraising	266,793	-	266,793
Total Expenses	<u>2,817,276</u>	<u>-</u>	<u>2,817,276</u>
Increase (Decrease) in Net Assets	183,708	(82,743)	100,965
Net Assets (Deficit), beginning of year	<u>(76,779)</u>	<u>461,859</u>	<u>385,080</u>
Net Assets, end of year	<u>\$ 106,929</u>	<u>\$ 379,116</u>	<u>\$ 486,045</u>

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

African Leadership and Reconciliation Ministries of Texas
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support			
Contributions and grants	\$ 1,422,518	\$ 1,848,871	\$ 3,271,389
Net assets released from restriction	1,865,827	(1,865,827)	-
Total Revenues and Support	<u>3,288,345</u>	<u>(16,956)</u>	<u>3,271,389</u>
Expenses			
Program services	2,839,072	-	2,839,072
Supporting services	320,584	-	320,584
Fundraising	206,046	-	206,046
Total Expenses	<u>3,365,702</u>	<u>-</u>	<u>3,365,702</u>
Decrease in Net Assets	(77,357)	(16,956)	(94,313)
Net Assets, beginning of year	<u>578</u>	<u>478,815</u>	<u>479,393</u>
Net Assets (Deficit), end of year	<u>\$ (76,779)</u>	<u>\$ 461,859</u>	<u>\$ 385,080</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, 2016

	<u>Program</u>	<u>Supporting</u>	<u>Fundraising</u>	<u>Total</u>
Salary and payroll taxes	\$ 252,073	\$ 182,363	\$ 135,790	\$ 570,226
Medical insurance, officer and other	49,454	21,647	24,075	95,176
Employer 403(b)	4,203	812	1,992	7,007
Independent contractors	7,254	11,466	4,680	23,400
Bank fees	-	12,355	240	12,595
Communications and marketing	-	-	1,640	1,640
Depreciation	-	11,785	-	11,785
Dues and subscriptions	-	2,536	8,474	11,010
Insurance	-	6,129	-	6,129
Internet costs	5,460	1,144	4,372	10,976
Miscellaneous	-	2,366	115	2,481
Office supplies, computer, equipment and other	-	4,373	539	4,912
Postage and delivery	-	2,854	13,514	16,368
Printing and copies	-	237	18,640	18,877
Professional fees	-	11,650	-	11,650
Project expense	-	2,142	956	3,098
Rental - office	18,900	3,780	15,120	37,800
Telephone	5,520	2,585	4,566	12,671
Travel and other	26,889	9,933	32,080	68,902
Program grants	1,890,573	-	-	1,890,573
	<u>\$ 2,260,326</u>	<u>\$ 290,157</u>	<u>\$ 266,793</u>	<u>\$ 2,817,276</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, 2015

	<u>Program</u>	<u>Supporting</u>	<u>Fundraising</u>	<u>Total</u>
Salary and payroll taxes	\$ 254,750	\$ 201,893	\$ 112,748	\$ 569,391
Medical insurance, officer and other	42,274	21,079	19,185	82,538
Employer 403(b)	4,717	1,555	2,253	8,525
Independent contractors	12,626	6,432	4,764	23,822
Bank fees	-	10,358	-	10,358
Communications and marketing	-	-	385	385
Depreciation	-	12,890	-	12,890
Dues and subscriptions	-	4,786	2,834	7,620
Insurance	-	6,249	-	6,249
Internet costs	5,399	1,098	4,320	10,817
Miscellaneous	-	11,438	3,964	15,402
Office supplies, computer, equipment and other	-	4,984	-	4,984
Postage and delivery	-	5,022	2,010	7,032
Printing and copies	-	154	9,763	9,917
Professional fees	-	14,556	-	14,556
Project expense	-	815	-	815
Rental - office	19,132	3,826	15,306	38,264
Telephone	6,088	3,187	4,870	14,145
Travel and other	27,528	10,262	23,644	61,434
Program grants	2,466,558	-	-	2,466,558
	<u>\$ 2,839,072</u>	<u>\$ 320,584</u>	<u>\$ 206,046</u>	<u>\$ 3,365,702</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, 2016 and 2015

	2016	2015
Cash Flows From Operating Activities		
Increase (Decrease) in net assets	\$ 100,965	\$ (94,313)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	11,785	12,890
Increase (Decrease) in liabilities:		
Accounts payable	1,340	(2,511)
Net Cash Provided (Used) by Operating Activities	114,090	(83,934)
Cash Flows From Investing Activities		
Purchase of property and equipment	-	(2,352)
Net Increase (Decrease) in Cash and Cash Equivalents	114,090	(86,286)
Cash and cash equivalents, beginning of year	359,178	445,464
Cash and cash equivalents, end of year	\$ 473,268	\$ 359,178

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

African Leadership and Reconciliation Ministries of Texas
Notes to Financial Statements
December 31, 2016 and 2015

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 (U.S. GAAP) and have been consistently applied in the preparation of the financial statements.

Organization – The Organization was established in 1998. 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, along with a separate, independent United Kingdom (UK) organization, has partnered with a separate independent African organization that receives grants from ALARM. This African sister organization, in turn, distributes these resources to specific ministry offices 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 Christ-likeness 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 statements of cash flows, the Organization considers all investments with original maturity dates of ninety days or less to be cash equivalents. In addition, all donated stock, which is converted to cash within thirty days of receipt, is considered to be a cash equivalent. As of December 31, 2016 and 2015, the Organization had cash equivalents of \$734 and \$16,817, respectively. The Organization places cash, which at times may exceed federally-insured limits, with high-credit quality financial institutions. The Organization has not experienced any losses on such assets.

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. Actual results could vary from estimates.

African Leadership and Reconciliation Ministries of Texas
Notes to Financial Statements
December 31, 2016 and 2015

**NOTE 1: ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES
(CONTINUED)**

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.

Income Taxes - The Organization is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) of 1986, as amended, as an organization described in Section 501(c)(3) of the IRC. The Organization has been classified as an organization that is not a private foundation under IRC Section 509(a)(2), and as such, contributions to the Organization qualify for deductions as charitable contributions. However, income generated from activities unrelated to the Organization's exempt purpose is subject to tax under IRC Section 511.

Accounting for Uncertainty in Income Taxes - Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) Topic 740-10, *Accounting for Income Taxes*, would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the statements of activities or accrued in the statements of financial position. Federal and state tax returns of the Organization are generally open to examination by the relevant taxing authorities for a period of three years from the date the returns are filed.

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.

African Leadership and Reconciliation Ministries of Texas
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 1: ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Property and Equipment - Property and equipment are stated at cost when purchased or fair 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 the statements of activities.

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, 2016 are as follows:

Furniture and equipment	3-5 years
Software	5 years

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 U.S. GAAP, 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. 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.

The Organization received donated stock valued at \$49,363 and \$48,397 during 2016 and 2015, respectively. Stock was sold during 2016 and 2015 with proceeds of \$54,389 and \$126,285, respectively. The Organization retained stock valued at \$734 and \$16,817 as of December 31, 2016 and 2015, respectively. The stock retained was sold shortly after year end and is therefore included in cash equivalents.

Date of Management's Review - The Organization has evaluated subsequent events through May 3, 2017, the date the financial statements were available to be issued.

African Leadership and Reconciliation Ministries of Texas
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 2: PROPERTY AND EQUIPMENT

Property and equipment at December 31 consisted of the following:

	2016	2015
Furniture and equipment	\$ 23,785	\$ 45,684
Software	<u>35,105</u>	<u>37,410</u>
	58,890	83,094
Less: accumulated depreciation	<u>(45,467)</u>	<u>(57,886)</u>
Total	<u>\$ 13,423</u>	<u>\$ 25,208</u>

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 its discretion. Contributions totaling \$7,007 and \$8,525 for the years ended December 31, 2016 and 2015, respectively, were made by the Organization, in addition to the elective deferrals made by employees.

NOTE 4: OPERATING LEASES

The Organization entered into a non-cancellable operating lease for its office facilities in June 2013. This lease expires in September 2018. Rent expense for 2016 and 2015 totaled \$37,800 and \$38,264, respectively.

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

2017	\$ 37,800
2018	28,350
2019 and thereafter	<u>-</u>
	<u>\$ 66,150</u>

African Leadership and Reconciliation Ministries of Texas
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 5: PROGRAM GRANTS

As discussed in Note 1, 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 for 2016 and 2015 were:

	2016	2015
Regional Office	\$ 171,684	\$ 314,906
Burundi	170,279	216,500
Congo	158,252	179,118
Kenya	67,638	74,467
Rwanda	275,974	326,940
South Sudan	267,060	421,349
Tanzania	85,408	109,489
Uganda	604,261	681,691
North Sudan	<u>90,017</u>	<u>142,098</u>
	<u>\$ 1,890,573</u>	<u>\$ 2,466,558</u>

NOTE 6: RELATED PARTY TRANSACTIONS

Several members of the Board of Directors make significant contributions to the Organization. Two members contributed approximately \$71,000 and \$53,000 for the years ended December 31, 2016 and 2015, respectively.

African Leadership and Reconciliation Ministries of Texas
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 7: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2016 and 2015 approximately consisted of the following:

	2016	2015
USA Office	\$ 6,800	\$ 50,900
Regional Office	9,700	67,800
Burundi	57,300	74,700
Congo	4,100	40,300
Kenya	23,700	1,600
Rwanda	51,600	79,200
South Sudan	32,600	15,800
Tanzania	11,200	10,000
Uganda	147,500	80,500
North Sudan	<u>34,600</u>	<u>41,100</u>
	<u>\$ 379,100</u>	<u>\$ 461,900</u>

Temporarily restricted net assets released from restrictions were approximately as follows:

	2016	2015
USA Office	\$ 94,000	\$ 80,900
Regional Office	67,300	186,100
Burundi	153,200	153,000
Congo	114,000	136,400
Kenya	24,300	8,200
Rwanda	216,200	227,200
South Sudan	157,200	279,400
Tanzania	24,400	58,300
Uganda	555,800	639,300
North Sudan	<u>59,100</u>	<u>97,000</u>
	<u>\$ 1,465,500</u>	<u>\$ 1,865,800</u>