

**AFRICAN LEADERSHIP AND
RECONCILIATION MINISTRIES OF TEXAS**

**FINANCIAL STATEMENTS
and
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2010 and 2009

African Leadership and Reconciliation Ministries of Texas
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December 31, 2010 and 2009

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SALMON SIMS THOMAS

Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

To the Board 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, 2010 and 2009, 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 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 African Leadership and Reconciliation Ministries of Texas as of December 31, 2010 and 2009, 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 & Associates

Salmon Sims Thomas and Associates
A Professional Limited Liability Company

Dallas, Texas
March 11, 2011

African Leadership and Reconciliation Ministries of Texas
Statements of Financial Position
December 31, 2010 and 2009

ASSETS

	2010	2009
Cash	\$ 233,243	\$ 313,688
Property and equipment, net	9,629	1,914
Other assets	<u>2,940</u>	<u>2,940</u>
 TOTAL ASSETS	 <u>\$ 245,812</u>	 <u>\$ 318,542</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 8,095	\$ 4,976
Deferred rent	8,304	9,517
Total Liabilities	<u>16,399</u>	<u>14,493</u>

Net Assets

Unrestricted	103,413	157,143
Temporarily restricted	126,000	146,906
Total Net Assets	<u>229,413</u>	<u>304,049</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 245,812</u>	<u>\$ 318,542</u>
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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, 2010

	Unrestricted	Temporarily Restricted	Total
Revenues and Support			
Contributions and grants	\$ 1,450,842	\$ 1,640,998	\$ 3,091,840
Net assets released from restriction	1,661,904	(1,661,904)	-
Total Revenues and Support	3,112,746	(20,906)	3,091,840
Expenses			
Program services	2,698,552	-	2,698,552
Supporting services	261,791	-	261,791
Fundraising	206,133	-	206,133
Total Expenses	3,166,476	-	3,166,476
Decrease in Net Assets	\$ (53,730)	\$ (20,906)	\$ (74,636)

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, 2009

	Unrestricted	Temporarily Restricted	Total
Revenues and Support			
Contributions and grants	\$ 1,484,605	\$ 1,392,431	\$ 2,877,036
Net assets released from restriction	1,378,561	(1,378,561)	-
Total Revenues and Support	2,863,166	13,870	2,877,036
Expenses			
Program services	2,240,840	-	2,240,840
Supporting services	198,433	-	198,433
Fundraising	239,374	-	239,374
Total Expenses	2,678,647	-	2,678,647
Increase in Net Assets	\$ 184,519	\$ 13,870	\$ 198,389

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, 2010 and 2009

	Unrestricted	Temporarily Restricted	Total
Net Assets, December 31, 2008	\$ (27,376)	\$ 133,036	\$ 105,660
Increase in Net Assets	184,519	13,870	198,389
Net Assets, December 31, 2009	157,143	146,906	304,049
Decrease in Net Assets	(53,730)	(20,906)	(74,636)
Net Assets, December 31, 2010	\$ 103,413	\$ 126,000	\$ 229,413

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, 2010

	<u>Program</u>	<u>Supporting</u>	<u>Fundraising</u>	<u>Total</u>
Salary, officer and other	\$ 180,607	\$ 106,198	\$ 106,198	\$ 393,003
Payroll taxes	9,055	5,634	4,361	19,050
Payroll processing fees	1,235	768	740	2,743
Medical insurance, officer and other	30,561	17,291	17,291	65,143
Medical reimbursements	2,882	11,119	1,514	15,515
Employer 403(b)	5,983	2,145	2,145	10,273
Independent contract	-	7,880	1,998	9,878
Auto expense - gas and mileage	-	5,928	-	5,928
Bank fees	-	5,040	-	5,040
Books and subscriptions	-	3,267	52	3,319
Depreciation	-	2,472	-	2,472
Dues and subscriptions	-	2,527	-	2,527
Fundraising events	-	-	11,274	11,274
Fundraising software	-	-	6,767	6,767
Insurance	-	2,468	-	2,468
Internet costs	488	1,982	218	2,688
Miscellaneous	-	3,816	612	4,428
Office supplies, computer, equipment and other	-	13,129	-	13,129
Postage and delivery	-	9,879	2,448	12,327
Printing and copies	-	876	10,884	11,760
Professional fees	-	10,435	-	10,435
Project expense	746	-	-	746
Refugee program	540	-	-	540
Relocation expense	-	25,048	-	25,048
Rental - office	14,530	9,446	9,411	33,387
Telephone	9,963	7,715	6,244	23,922
Travel and other	13,798	6,728	17,182	37,708
Website	-	-	6,794	6,794
Program grants	2,428,164	-	-	2,428,164
	<u>\$ 2,698,552</u>	<u>\$ 261,791</u>	<u>\$ 206,133</u>	<u>\$ 3,166,476</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, 2009

	<u>Program</u>	<u>Supporting</u>	<u>Fundraising</u>	<u>Total</u>
Salary, officer and other	\$ 103,329	\$ 81,901	\$ 132,071	\$ 317,301
Payroll taxes	4,886	4,098	6,777	15,761
Payroll processing fees	926	776	1,283	2,985
Medical insurance, officer and other	21,235	19,737	31,671	72,643
Medical reimbursements	-	1,188	-	1,188
Employer 403(b)	4,571	2,313	3,587	10,471
Independent contract	1,734	3,498	-	5,232
Auto expense - gas and mileage	-	8,413	-	8,413
Bank fees	-	5,664	-	5,664
Books and subscriptions	-	1,842	16	1,858
Depreciation	-	1,109	-	1,109
Dues and subscriptions	-	4,936	-	4,936
Fundraising events	-	-	27,954	27,954
Insurance	-	2,315	-	2,315
Internet costs	79	1,946	218	2,243
Miscellaneous	-	56	-	56
Office supplies, computer, equipment and other	-	10,728	-	10,728
Postage and delivery	-	7,181	1,762	8,943
Printing and copies	-	5,850	8,796	14,646
Professional fees	-	9,300	-	9,300
Refugee program	50,245	-	-	50,245
Rental - office	9,133	7,719	12,668	29,520
Telephone	5,522	6,285	7,997	19,804
Travel and other	5,314	11,578	3,724	20,616
In-kind gift	-	-	850	850
Program grants	2,033,866	-	-	2,033,866
	<u>\$ 2,240,840</u>	<u>\$ 198,433</u>	<u>\$ 239,374</u>	<u>\$ 2,678,647</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, 2010 and 2009

	2010	2009
Cash Flows From Operating Activities		
Increase (Decrease) in net assets	\$ (74,636)	\$ 198,389
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,472	1,109
Increase (decrease) in liabilities:		
Accounts payable	3,119	(880)
Deferred rent	(1,213)	-
Net Cash Provided (Used) by Operating Activities	(70,258)	198,618
 Cash Flows From Investing Activities		
Purchase of equipment	(10,187)	-
Net Increase (Decrease) in Cash	(80,445)	198,618
 Cash, beginning of year	313,688	115,070
 Cash, end of year	\$ 233,243	\$ 313,688

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

African Leadership and Reconciliation Ministries of Texas
Notes to Financial Statements
December 31, 2010 and 2009

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 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. There were no cash equivalents as of December 31, 2010 and 2009. 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.

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, 2010 and 2009

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.

Accounting for Uncertainty in Income Taxes - Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of FASB ASC Topic 740-10, *Accounting for Income Taxes*, would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements does not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the operating statement 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.

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.

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 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, 2010 are as follows:

Furniture and equipment	3-5 years
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African Leadership and Reconciliation Ministries of Texas
Notes to Financial Statements
December 31, 2010 and 2009

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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

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. 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.

Deferred Rent - The Organization has entered into an operating lease agreement containing provisions for future rent increases and periods of reduced rent payments. In accordance with accounting principles generally accepted in the United States of America, the Organization records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease term. The difference between rent expense recorded and the amount paid is credited or charged to deferred rent.

Fair Value Measurements - Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Organization did not hold assets subject to fair value reporting on a recurring basis as of December 31, 2010 and 2009. The statement did not have an impact on the Organization's nonfinancial assets and nonfinancial liabilities that are not permitted or required to be measured at fair value on a recurring basis.

Subsequent Events - Subsequent events have been evaluated for potential recognition or disclosure through March 11, 2011, which is the date the financial statements were available to be issued.

African Leadership and Reconciliation Ministries of Texas
Notes to Financial Statements
December 31, 2010 and 2009

NOTE 2: PROPERTY AND EQUIPMENT

Property and equipment at December 31 consisted of the following:

	2010	2009
Furniture and equipment	\$ 22,578	\$ 12,391
Less: accumulated depreciation	<u>(12,949)</u>	<u>(10,477)</u>
Total	<u>\$ 9,629</u>	<u>\$ 1,914</u>

Depreciation expense related to these assets for 2010 and 2009 totaled \$2,472 and \$1,109, 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 its discretion. Contributions totaling \$10,273 and \$10,471 for the years ended December 31, 2010 and 2009, 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 July, 2008. This lease expires in 2013.

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

2011	\$ 35,282
2012	36,179
2013	18,239
2014 and thereafter	<u>-</u>
	<u>\$ 89,700</u>

Rent expense for 2010 and 2009 totaled \$33,387 and \$29,520, respectively.

African Leadership and Reconciliation Ministries of Texas
Notes to Financial Statements
December 31, 2010 and 2009

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 for 2010 and 2009 were:

	2010	2009
Regional Office	\$ 327,449	\$ 295,934
Burundi	285,594	189,836
Congo	164,855	171,439
Kenya	165,402	150,203
Rwanda	244,148	234,804
Sudan	521,732	306,331
Tanzania	103,103	94,209
Uganda	551,124	520,038
Zambia	<u>64,757</u>	<u>71,072</u>
	<u>\$ 2,428,164</u>	<u>\$ 2,033,866</u>

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2010 and 2009 approximately consisted of the following:

	2010	2009
USA Office	\$ 9,400	\$ 39,400
Regional Office	4,400	43,700
Burundi	18,400	-
Congo	64,200	2,100
Kenya	1,200	-
Rwanda	24,100	1,300
Sudan	3,100	2,700
Uganda	1,200	53,000
Zambia	<u>-</u>	<u>4,700</u>
	<u>\$ 126,000</u>	<u>\$ 146,900</u>

African Leadership and Reconciliation Ministries of Texas
Notes to Financial Statements
December 31, 2010 and 2009

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

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

	2010	2009
USA Office	\$ 30,600	\$ 34,400
Regional Office	78,600	57,000
Burundi	255,200	159,700
Congo	52,100	154,600
Kenya	87,200	95,400
Rwanda	89,100	164,900
Sudan	405,300	182,200
Tanzania	45,400	42,700
Uganda	594,600	472,500
Zambia	<u>23,800</u>	<u>15,200</u>
	<u>\$ 1,661,900</u>	<u>\$ 1,378,600</u>