

**AFRICAN LEADERSHIP AND
RECONCILIATION MINISTRIES OF TEXAS**

**FINANCIAL STATEMENTS
and
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2011 and 2010

African Leadership and Reconciliation Ministries of Texas
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December 31, 2011 and 2010

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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, 2011 and 2010, 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, 2011 and 2010, 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

Salmon Sims Thomas and Associates
A Professional Limited Liability Company

Dallas, Texas
February 20, 2012

African Leadership and Reconciliation Ministries of Texas
Statements of Financial Position
December 31, 2011 and 2010

ASSETS

	2011	2010
Cash	\$ 406,448	\$ 233,243
Investments	98,955	-
Property and equipment, net	9,918	9,629
Prepaid expenses	2,990	-
Other assets	2,940	2,940
TOTAL ASSETS	\$ 521,251	\$ 245,812

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 6,541	\$ 8,095
Deferred rent	5,580	8,304
Total Liabilities	12,121	16,399

Net Assets

Unrestricted	116,913	103,413
Temporarily restricted	392,217	126,000
Total Net Assets	509,130	229,413
TOTAL LIABILITIES AND NET ASSETS	\$ 521,251	\$ 245,812

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, 2011

	Unrestricted	Temporarily Restricted	Total
Revenues and Support			
Contributions and grants	\$ 1,411,251	\$ 1,555,095	\$ 2,966,346
Net assets released from restriction	1,288,878	(1,288,878)	-
Total Revenues and Support	2,700,129	266,217	2,966,346
Expenses			
Program services	2,165,774	-	2,165,774
Supporting services	343,878	-	343,878
Fundraising	176,977	-	176,977
Total Expenses	2,686,629	-	2,686,629
Increase in Net Assets	\$ 13,500	\$ 266,217	\$ 279,717

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, 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
Statements of Changes in Net Assets
For the Years Ended December 31, 2011 and 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net Assets, December 31, 2009	\$ 157,143	\$ 146,906	\$ 304,049
Decrease in Net Assets	<u>(53,730)</u>	<u>(20,906)</u>	<u>(74,636)</u>
Net Assets, December 31, 2010	103,413	126,000	229,413
Increase in Net Assets	<u>13,500</u>	<u>266,217</u>	<u>279,717</u>
Net Assets, December 31, 2011	<u>\$ 116,913</u>	<u>\$ 392,217</u>	<u>\$ 509,130</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, 2011

	<u>Program</u>	<u>Supporting</u>	<u>Fundraising</u>	<u>Total</u>
Salary, officer and other	\$ 134,058	\$ 178,706	\$ 65,446	\$ 378,210
Payroll taxes	9,140	7,045	2,856	19,041
Payroll processing fees	1,319	1,110	412	2,841
Medical insurance, officer and other	29,722	39,188	14,379	83,289
Medical reimbursements	-	682	-	682
Employer 403(b)	4,777	3,794	1,558	10,129
Independent contract	-	11,791	12,101	23,892
Auto expense - gas and mileage	-	4,767	-	4,767
Bank fees	-	8,002	-	8,002
Books and subscriptions	-	6,484	2,876	9,360
Depreciation	-	3,396	-	3,396
Dues and subscriptions	-	4,688	-	4,688
Fundraising events	-	-	2,957	2,957
Fundraising software	-	-	2,614	2,614
Insurance	-	2,500	-	2,500
Internet costs	164	2,216	135	2,515
Miscellaneous	-	565	385	950
Office supplies, computer, equipment and other	-	12,560	-	12,560
Postage and delivery	89	4,478	3,791	8,358
Printing and copies	-	736	9,760	10,496
Professional fees	-	18,883	-	18,883
Project expense	1,376	-	-	1,376
Refugee program	1,445	-	-	1,445
Relocation expense	-	1,360	-	1,360
Rental - office	14,435	11,128	4,511	30,074
Telephone	11,332	10,106	3,663	25,101
Travel and other	28,235	9,693	48,839	86,767
Website	-	-	694	694
Program grants	1,929,682	-	-	1,929,682
	<u>\$ 2,165,774</u>	<u>\$ 343,878</u>	<u>\$ 176,977</u>	<u>\$ 2,686,629</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, 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
Statements of Cash Flows
For the Years Ended December 31, 2011 and 2010

	2011	2010
Cash Flows From Operating Activities		
Increase (Decrease) in net assets	\$ 279,717	\$ (74,636)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Donated stock	(98,955)	-
Depreciation	3,396	2,472
Increase in assets:		
Prepaid expenses	(2,990)	-
Increase (decrease) in liabilities:		
Accounts payable	(1,554)	3,119
Deferred rent	(2,724)	(1,213)
Net Cash Provided (Used) by Operating Activities	176,890	(70,258)
 Cash Flows From Investing Activities		
Purchase of equipment	(3,685)	(10,187)
Net Increase (Decrease) in Cash	173,205	(80,445)
 Cash, beginning of year	233,243	313,688
 Cash, end of year	\$ 406,448	\$ 233,243

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

African Leadership and Reconciliation Ministries of Texas
Notes to Financial Statements
December 31, 2011 and 2010

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, 2011 and 2010. 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, 2011 and 2010

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 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 operating statements or accrued in the balance sheets. 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, 2011 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, 2011 and 2010

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 - FASB 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 following is a description of the valuation methodology used for assets measured at fair value. There has been no change in the methodology used at December 31, 2011.

Marketable securities: Marketable securities traded on national securities exchanges are valued at the closing price on the last business day of the fiscal year.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

African Leadership and Reconciliation Ministries of Texas
Notes to Financial Statements
December 31, 2011 and 2010

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

The provisions of Topic 820 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.

Date of Management's Review - The Organization has evaluated subsequent events through February 20, 2012, the date the financial statements were available to be issued.

NOTE 2: PROPERTY AND EQUIPMENT

Property and equipment at December 31 consisted of the following:

	2011	2010
Furniture and equipment	\$ 26,263	\$ 22,578
Less: accumulated depreciation	<u>(16,345)</u>	<u>(12,949)</u>
Total	<u>\$ 9,918</u>	<u>\$ 9,629</u>

Depreciation expense related to these assets for 2011 and 2010 totaled \$3,396 and \$2,472, 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 \$10,129 and \$10,273 for the years ended December 31, 2011 and 2010, 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. Rent expense for 2011 and 2010 totaled \$30,074 and \$33,387, respectively.

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

2012	\$ 36,180
2013	18,240
2014 and thereafter	<u>-</u>
	<u>\$ 54,420</u>

African Leadership and Reconciliation Ministries of Texas
Notes to Financial Statements
December 31, 2011 and 2010

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 2011 and 2010 were:

	2011	2010
Regional Office	\$ 238,750	\$ 327,449
Burundi	164,612	285,594
Congo	183,431	164,855
Kenya	144,346	165,402
Rwanda	257,879	244,148
Sudan	343,546	521,732
Tanzania	91,709	103,103
Uganda	452,784	551,124
Zambia	52,625	64,757
	<u>\$ 1,929,682</u>	<u>\$ 2,428,164</u>

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2011 and 2010 approximately consisted of the following:

	2011	2010
USA Office	\$ 13,100	\$ 9,400
Regional Office	66,200	4,400
Burundi	7,600	18,400
Congo	18,300	64,200
Kenya	14,400	1,200
Rwanda	13,000	24,100
Sudan	18,900	3,100
Tanzania	60,700	-
Uganda	180,000	1,200
	<u>\$ 392,200</u>	<u>\$ 126,000</u>

African Leadership and Reconciliation Ministries of Texas
Notes to Financial Statements
December 31, 2011 and 2010

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

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

	2011	2010
USA Office	\$ 5,100	\$ 30,600
Regional Office	57,000	78,600
Burundi	138,300	255,200
Congo	135,000	52,100
Kenya	57,600	87,200
Rwanda	207,000	89,100
Sudan	232,300	405,300
Tanzania	51,900	45,400
Uganda	390,600	594,600
Zambia	14,100	23,800
	<u>\$ 1,288,900</u>	<u>\$1,661,900</u>

NOTE 7: FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2011:

<u>Fair Value Measurements at Reporting Date Using:</u>				
	<u>Fair Value</u>	<u>Quoted Prices in Active markets for Identical Assets/Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Marketable Securities	\$ 98,955	\$ 98,955	\$ -	\$ -

There were no assets required to be measured within the fair value hierarchy as of December 31, 2010.