

**AFRICAN LEADERSHIP AND  
RECONCILIATION MINISTRIES OF TEXAS**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2015 AND 2014**

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**African Leadership and Reconciliation Ministries of Texas**  
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**December 31, 2015 and 2014**

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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

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, 2015 and 2014, 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**

The Organization's 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, 2015 and 2014, 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.

### **Emphasis-of-Matter Regarding Management's Plan to Reduce the Temporarily Restricted Net Assets Deficit**

As discussed in Note 8 to the financial statements, African Leadership and Reconciliation Ministries of Texas did not have adequate cash and cash equivalents to cover the temporarily restricted net assets as of December 31, 2015 and 2014. Management's plan to increase unrestricted revenue and lower expenses is described in Note 8. Our opinion is not modified with respect to this matter.



Salmon Sims Thomas & Associates  
A Professional Limited Liability Company

April 21, 2016

**African Leadership and Reconciliation Ministries of Texas**  
**Statements of Financial Position**  
**December 31, 2015 and 2014**

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**ASSETS**

	<b>2015</b>	<b>2014</b>
Cash and cash equivalents	\$ 359,178	445,464
Property and equipment, net	25,208	35,746
Deposits	3,150	3,150
<b>TOTAL ASSETS</b>	<b>\$ 387,536</b>	<b>\$ 484,360</b>

**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts payable	\$ 2,456	\$ 4,967
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**Net Assets (Deficit)**

Unrestricted	(76,779)	578
Temporarily restricted	461,859	478,815
Total Net Assets	385,080	479,393

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 387,536</b>	<b>\$ 484,360</b>
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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, 2015**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenues and Support</b>			
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	3,288,345	(16,956)	3,271,389
<b>Expenses</b>			
Program services	2,839,072	-	2,839,072
Supporting services	320,584	-	320,584
Fundraising	206,046	-	206,046
Total Expenses	3,365,702	-	3,365,702
Decrease in Net Assets	(77,357)	(16,956)	(94,313)
<b>Net Assets, beginning of year</b>	578	478,815	479,393
<b>Net Assets (Deficit), end of year</b>	\$ (76,779)	\$ 461,859	\$ 385,080

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, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues and Support</b>			
Contributions and grants	\$ 1,499,108	\$ 1,659,210	\$ 3,158,318
Net assets released from restriction	1,864,380	(1,864,380)	-
Total Revenues and Support	<u>3,363,488</u>	<u>(205,170)</u>	<u>3,158,318</u>
<b>Expenses</b>			
Program services	2,911,430	-	2,911,430
Supporting services	273,447	-	273,447
Fundraising	218,628	-	218,628
Total Expenses	<u>3,403,505</u>	<u>-</u>	<u>3,403,505</u>
Decrease in Net Assets	(40,017)	(205,170)	(245,187)
<b>Net Assets, beginning of year</b>	<u>40,595</u>	<u>683,985</u>	<u>724,580</u>
<b>Net Assets, end of year</b>	<u>\$ 578</u>	<u>\$ 478,815</u>	<u>\$ 479,393</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**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2014**

	<u>Program</u>	<u>Supporting</u>	<u>Fundraising</u>	<u>Total</u>
Salary and payroll taxes	\$ 254,743	\$ 142,367	\$ 112,655	\$ 509,765
Medical insurance, officer and other	40,577	20,739	18,345	79,661
Employer 403(b)	5,331	2,091	2,497	9,919
Independent contractors	10,627	5,414	4,556	20,597
Bank fees	-	11,370	-	11,370
Books	-	1,284	-	1,284
Communications and marketing	-	-	1,626	1,626
Depreciation	-	13,549	-	13,549
Dues and subscriptions	134	4,693	3,256	8,083
Insurance	-	6,585	-	6,585
Internet costs	6,305	1,148	5,106	12,559
Miscellaneous	-	3,463	2,467	5,930
Office supplies, computer, equipment and other	-	5,713	-	5,713
Postage and delivery	-	4,235	3,849	8,084
Printing and copies	-	400	10,577	10,977
Professional fees	-	18,433	7,650	26,083
Project expense	-	37	1,155	1,192
Rental - office	20,220	10,301	7,630	38,151
Telephone	8,169	3,140	6,565	17,874
Travel and other	48,953	18,485	30,694	98,132
Program grants	2,516,371	-	-	2,516,371
	<u>\$ 2,911,430</u>	<u>\$ 273,447</u>	<u>\$ 218,628</u>	<u>\$ 3,403,505</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, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>Cash Flows From Operating Activities</b>		
Increase (Decrease) in net assets	\$ (94,313)	\$ (245,187)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	12,890	13,549
Decrease in liabilities:		
Accounts payable	(2,511)	(2,406)
Net Cash Provided (Used) by Operating Activities	(83,934)	(234,044)
 <b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	(2,352)	(600)
Net Increase (Decrease) in Cash and Cash Equivalents	(86,286)	(234,644)
 <b>Cash and cash equivalents, beginning of year</b>	445,464	680,108
 <b>Cash and cash equivalents, end of year</b>	\$ 359,178	\$ 445,464

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

**African Leadership and Reconciliation Ministries of Texas**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

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**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, 2015 and 2014, the Organization had cash equivalents of \$16,817 and \$106,422, 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, 2015 and 2014**

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**NOTE 1: 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 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.

**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, 2015 and 2014**

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**NOTE 1: 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 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, 2015 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 \$48,397 and \$122,403 during 2015 and 2014, respectively. Stock was sold during 2015 and 2014 with proceeds of \$126,285 and \$58,934, respectively. The Organization retained stock valued at \$16,817 and \$106,422 as of December 31, 2015 and 2014, 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 April 21, 2016, the date the financial statements were available to be issued.

**African Leadership and Reconciliation Ministries of Texas**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

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**NOTE 2: PROPERTY AND EQUIPMENT**

Property and equipment at December 31 consisted of the following:

	<b>2015</b>	<b>2014</b>
Furniture and equipment	\$ 45,684	\$ 43,332
Software	<u>37,410</u>	<u>37,410</u>
	83,094	80,742
Less: accumulated depreciation	<u>(57,886)</u>	<u>(44,996)</u>
Total	<u>\$ 25,208</u>	<u>\$ 35,746</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 \$8,525 and \$9,919 for the years ended December 31, 2015 and 2014, 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 2015 and 2014 totaled \$38,264 and \$38,151, respectively.

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

2016	\$ 37,800
2017	37,800
2018	28,350
2019 and thereafter	<u>-</u>
	<u>\$ 103,950</u>

**African Leadership and Reconciliation Ministries of Texas**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

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**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 2015 and 2014 were:

	<b>2015</b>	<b>2014</b>
Regional Office	\$ 314,906	\$ 139,582
Burundi	216,500	301,749
Congo	179,118	182,779
Kenya	74,467	121,244
Rwanda	326,940	335,021
South Sudan	421,349	597,554
Tanzania	109,489	57,468
Uganda	681,691	557,952
North Sudan	<u>142,098</u>	<u>223,022</u>
	<u>\$ 2,466,558</u>	<u>\$ 2,516,371</u>

**NOTE 6: RELATED PARTY TRANSACTIONS**

Several members of the Board of Directors make significant contributions to the Organization. For the year ended December 31, 2015, two members contributed approximately \$52,000. For the year ended December 31, 2014, two members contributed approximately \$146,300.

**African Leadership and Reconciliation Ministries of Texas**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

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**NOTE 7: TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2015 and 2014 approximately consisted of the following:

	<b>2015</b>	<b>2014</b>
USA Office	\$ 50,900	\$ 6,800
Regional Office	67,800	56,400
Burundi	74,700	98,600
Congo	40,300	57,700
Kenya	1,600	7,500
Rwanda	79,200	75,400
South Sudan	15,800	31,000
Tanzania	10,000	9,900
Uganda	80,500	116,200
North Sudan	41,100	19,300
	<u>\$ 461,900</u>	<u>\$ 478,800</u>

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

	<b>2015</b>	<b>2014</b>
USA Office	\$ 80,900	\$ 1,200
Regional Office	186,100	10,900
Burundi	153,000	249,100
Congo	136,400	153,800
Kenya	8,200	57,300
Rwanda	227,200	253,800
South Sudan	279,400	431,800
Tanzania	58,300	19,400
Uganda	639,300	498,700
North Sudan	97,000	188,400
	<u>\$ 1,865,800</u>	<u>\$ 1,864,400</u>



**African Leadership and Reconciliation Ministries of Texas**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

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**NOTE 8: MANAGEMENT'S PLAN**

As of December 31, 2015 and 2014, the Organization did not have adequate cash and cash equivalents to cover the temporarily restricted net assets. The deficit was approximately \$102,700 and \$33,400 as of December 31, 2015 and 2014, respectively. During the year ended December 31, 2015, the Organization had a net loss of approximately \$94,300. The Organization relies on grants and donations from outside individuals and entities who tend to give toward specific, temporarily restricted projects.

Management has created a plan to continue operations and reduce the deficit. The Organization hired a VP of Development in January 2016 to generate unrestricted funds believed to be in the range of \$300,000 to \$500,000. Furthermore, the Board has put in place a number of guidelines for 2016 to ensure the cash deficit is reversed before year-end, so the same situation does not occur again. In addition, several current donor churches have agreed to continue contributing or increase their contributions to unrestricted funding in 2016, for approximately \$70,000. These committed funds represent an intention to give if the churches receive the funds from their members, and as such, are not recorded as promises to give as of December 31, 2015.

The Organization is also working with its sister organizations in the UK and Africa to increase their individual fundraising efforts; both organizations have hired staff to fundraise within Europe and Africa. As the African countries increase their ownership over raising unrestricted funds, this will increase the unrestricted net assets of the Organization which will alleviate the cash deficit over temporarily restricted net assets.