

**AFRICAN LEADERSHIP AND  
RECONCILIATION MINISTRIES OF TEXAS**

**FINANCIAL STATEMENTS  
and  
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2009 and 2008**

**African Leadership and Reconciliation Ministries of Texas**  
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**December 31, 2009 and 2008**

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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, 2009 and 2008, 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, 2009 and 2008, 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  
April 6, 2010

**African Leadership and Reconciliation Ministries of Texas**  
**Statements of Financial Position**  
**December 31, 2009 and 2008**

**ASSETS**

	<b>2009</b>	<b>2008</b>
Cash	\$ 313,688	\$ 115,070
Property and equipment, net	1,914	3,023
Other assets	2,940	2,940
 TOTAL ASSETS	 \$ 318,542	 \$ 121,033

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>		
Accounts payable	\$ 4,976	\$ 5,856
Deferred rent	9,517	9,517
Total Liabilities	14,493	15,373
 <b>Net Assets</b>		
Unrestricted	157,143	(27,376)
Temporarily restricted	146,906	133,036
Total Net Assets	304,049	105,660
 TOTAL LIABILITIES AND NET ASSETS	 \$ 318,542	 \$ 121,033

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, 2009**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenues and Support</b>			
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
<b>Expenses</b>			
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**  
**Statement of Activities**  
**For the Year Ended December 31, 2008**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenues and Support</b>			
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
<b>Expenses</b>			
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**  
**Statements of Changes in Net Assets**  
**For the Years Ended December 31, 2009 and 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</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	(27,376)	133,036	105,660
Increase in Net Assets	<u>184,519</u>	<u>13,870</u>	<u>198,389</u>
Net Assets, December 31, 2009	<u>\$ 157,143</u>	<u>\$ 146,906</u>	<u>\$ 304,049</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, 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**  
**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	-	937	-	937
Dues and subscriptions	-	3,007	-	3,007
Insurance	-	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**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2009 and 2008**

	<b>2009</b>	<b>2008</b>
<b>Cash Flows From Operating Activities</b>		
Increase (Decrease) in net assets	\$ 198,389	\$ (152,257)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,109	937
(Increase) decrease in assets		
Accounts receivable	-	7,337
Prepaid expenses	-	40,231
Other assets	-	770
Increase (decrease) in liabilities		
Accounts payable	(880)	273
Deferred rent	-	9,517
Net Cash Provided (Used) by Operating Activities	198,618	(93,192)
 <b>Cash Flows From Investing Activities</b>		
Purchase of equipment	-	(1,810)
Net Increase (Decrease) in Cash	198,618	(95,002)
 <b>Cash, beginning of year</b>	115,070	210,072
 <b>Cash, end of year</b>	\$ 313,688	\$ 115,070

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

**African Leadership and Reconciliation Ministries of Texas**  
**Notes to Financial Statements**  
**December 31, 2009 and 2008**

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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 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. 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, 2009 and 2008**

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**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.

The Financial Accounting Standards Board (FASB) issued an interpretation regarding uncertainty in income taxes. This interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB ASC 740-10, *Accounting for Income Taxes*, and is effective for fiscal years beginning after December 15, 2008. The Organization adopted the provisions of this pronouncement for 2009 and the adoption did not impact the amounts reported in the Organization's 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, 2009 are as follows:

Furniture and equipment	3-5 years
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**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.

**African Leadership and Reconciliation Ministries of Texas**  
**Notes to Financial Statements**  
**December 31, 2009 and 2008**

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

**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.

**NOTE 2: PROPERTY AND EQUIPMENT**

Property and equipment at December 31 consisted of the following:

	2009	2008
Furniture and equipment	\$ 12,391	\$ 12,391
Less: accumulated depreciation	<u>(10,477)</u>	<u>(9,368)</u>
Total	<u>\$ 1,914</u>	<u>\$ 3,023</u>

Depreciation expense related to these assets for 2009 and 2008 totaled \$1,109 and \$937, 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 \$10,471 and \$ 4,354 for the years ended December 31, 2009 and 2008, respectively, were made by the Organization, in addition to the elective deferrals made by employees.

**African Leadership and Reconciliation Ministries of Texas**  
**Notes to Financial Statements**  
**December 31, 2009 and 2008**

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**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:

2010	\$	34,385
2011		35,282
2012		36,179
2013		18,239
Thereafter		-
		<u>\$ 124,085</u>

Rent expense for 2009 and 2008 totaled \$29,520 and \$29,936, respectively.

**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 2009 and 2008 were:

	2009	2008
Regional Office	\$ 295,934	\$ 564,568
Burundi	189,836	206,005
Congo	171,439	135,433
Kenya	150,203	259,868
Rwanda	234,804	277,193
Sudan	306,331	697,294
Tanzania	94,209	100,057
Uganda	520,038	300,537
Zambia	<u>71,072</u>	<u>207,561</u>
	<u>\$ 2,033,866</u>	<u>\$ 2,748,516</u>

**African Leadership and Reconciliation Ministries of Texas**  
**Notes to Financial Statements**  
**December 31, 2009 and 2008**

**NOTE 6: TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2009 and 2008 approximately consisted of the following:

	<b>2009</b>	<b>2008</b>
USA Office	\$ 39,400	\$ 31,500
Regional Office	43,700	14,300
Burundi	-	100
Congo	2,100	200
Kenya	-	17,500
Rwanda	1,300	15,800
Sudan	2,700	23,300
Uganda	53,000	30,300
Zambia	4,700	-
	<u>\$ 146,900</u>	<u>\$ 133,000</u>

**NOTE 7: FAIR VALUE**

In September 2006, the FASB issued a statement regarding fair value measurements. This statement provides a new definition for fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The Organization adopted the provisions of this statement as of January 1, 2008. The financial assets recorded at fair value on a recurring basis primarily relate to cash. GAAP establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

In accordance with the provisions of the statement, the Organization implemented the provisions of the statement as of January 1, 2009 as it relates to nonfinancial assets and nonfinancial liabilities that are not permitted or required to be measured at fair value on a recurring basis. This statement did not have an impact on those nonfinancial assets and liabilities.

The carrying amount of the Organization's cash approximates fair value due to the short maturity of this instrument. Cash is valued using Level 1 inputs. For other assets and liabilities not otherwise carried at fair value, fair value approximates carrying value due to the current nature of such assets and liabilities.

**African Leadership and Reconciliation Ministries of Texas**  
**Notes to Financial Statements**  
**December 31, 2009 and 2008**

**NOTE 7: FAIR VALUE (CONTINUED)**

Fair values of assets and liabilities measured on a recurring basis at December 31, 2009 are as follows:

Fair Value Measurements at Reporting Date Using:

	Fair Value	Quoted Prices in Active markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 313,688	\$ 313,688	\$ -	\$ -

Fair values of assets and liabilities measured on a recurring basis at December 31, 2008 are as follows:

Fair Value Measurements at Reporting Date Using:

	Fair Value	Quoted Prices in Active markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 115,070	\$ 115,070	\$ -	\$ -

**NOTE 8: SUBSEQUENT EVENTS**

In May 2009, the FASB issued guidance, now codified as FASB ASC Topic 855, *Subsequent Events*, which establishes general standards of accounting for, and disclosures of, events that occur after the statement of financial position date but before financial statements are issued or are available to be issued. This pronouncement is effective for interim or fiscal periods ending after June 15, 2009. The adoption of ASC Topic 855 did not have a significant impact on the financial condition or results of operations. Subsequent events have been evaluated for potential recognition or disclosure through the date of this report.