

**AFRICAN LEADERSHIP AND
RECONCILIATION MINISTRIES OF TEXAS**

**FINANCIAL STATEMENTS
and
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2008 AND 2007

African Leadership and Reconciliation Ministries of Texas
Table of Contents
December 31, 2008 and 2007

| | Page |
|--|------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| FINANCIAL STATEMENTS | |
| Statements of Financial Position..... | 2 |
| 2008 Statement of Activities..... | 3 |
| 2007 Statement of Activities..... | 4 |
| Statements of Changes in Net Assets..... | 5 |
| 2008 Statement of Functional Expenses..... | 6 |
| 2007 Statement of Functional Expenses..... | 7 |
| Statements of Cash Flows..... | 8 |
| NOTES TO FINANCIAL STATEMENTS | 9 |



SALMON SIMS THOMAS

Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

To the Boards 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, 2008 and 2007, 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 Organizations' 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, 2008 and 2007, 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
A Professional Limited Liability Company

Dallas, Texas
April 15, 2009

African Leadership and Reconciliation Ministries of Texas
Statements of Financial Position
December 31, 2008 and 2007

ASSETS

| | 2008 | 2007 |
|-----------------------------|-------------------|-------------------|
| Cash | \$ 115,070 | \$ 210,072 |
| Accounts receivable | - | 7,337 |
| Prepaid expenses | - | 40,231 |
| Property and equipment, net | 3,023 | 2,150 |
| Other assets | 2,940 | 3,710 |
| TOTAL ASSETS | \$ 121,033 | \$ 263,500 |

LIABILITIES AND NET ASSETS

Liabilities

| | | |
|--------------------------|----------|----------|
| Accounts payable | \$ 5,856 | \$ 5,583 |
| Restricted fund payable | 133,036 | 228,770 |
| Deferred rent | 9,517 | - |
| Total Liabilities | 148,409 | 234,353 |

Net Assets

| | | |
|---|-------------------|-------------------|
| Unrestricted | (27,376) | 29,147 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 121,033 | \$ 263,500 |

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, 2008

| | Unrestricted | Temporarily Restricted | Total |
|--------------------------------------|---------------------|-----------------------------------|--------------|
| Revenues and Support | | | |
| Contributions and grants | \$ 1,038,946 | \$ 2,185,183 | \$ 3,224,129 |
| Net assets released from restriction | 2,185,183 | (2,185,183) | - |
| Total Revenues and Support | 3,224,129 | - | 3,224,129 |
| Expenses | | | |
| Program services | 2,963,374 | - | 2,963,374 |
| Supporting services | 230,971 | - | 230,971 |
| Fundraising | 86,307 | - | 86,307 |
| Total Expenses | 3,280,652 | - | 3,280,652 |
| Decrease in Net Assets | \$ (56,523) | \$ - | \$ (56,523) |

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, 2007

| | Unrestricted | Temporarily Restricted | Total |
|--------------------------------------|---------------------|-----------------------------------|--------------|
| Revenues and Support | | | |
| Contributions and grants | \$ 845,216 | \$ 1,642,746 | \$ 2,487,962 |
| Net assets released from restriction | 1,642,746 | (1,642,746) | - |
| Total Revenues and Support | 2,487,962 | - | 2,487,962 |
| Expenses | | | |
| Program services | 2,287,456 | - | 2,287,456 |
| Supporting services | 114,298 | - | 114,298 |
| Fundraising | 77,912 | - | 77,912 |
| Total Expenses | 2,479,666 | - | 2,479,666 |
| Increase in Net Assets | \$ 8,296 | \$ - | \$ 8,296 |

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, 2008 and 2007

| | Unrestricted | Temporarily Restricted | Total |
|---|---------------------|-----------------------------------|--------------|
| Net Assets, December 31, 2006, as previously stated | \$ 133,717 | \$ 115,904 | \$ 249,621 |
| Prior period adjustments | (112,866) | (115,904) | (228,770) |
| Net Assets, December 31, 2006, as restated | 20,851 | - | 20,851 |
| Increase in Net Assets | 8,296 | - | 8,296 |
| Net Assets, December 31, 2007, as restated | 29,147 | - | 29,147 |
| Decrease in Net Assets | (56,523) | - | (56,523) |
| Net Assets, December 31, 2008 | \$ (27,376) | \$ - | \$ (27,376) |

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, 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 expense | - | 937 | - | 937 |
| Dues and subscriptions | - | 3,007 | - | 3,007 |
| Insurance expense | - | 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 | 2,652,782 | - | - | 2,652,782 |
| | <u>\$ 2,963,374</u> | <u>\$ 230,971</u> | <u>\$ 86,307</u> | <u>\$ 3,280,652</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, 2007

| | <u>Program</u> | <u>Supporting</u> | <u>Fundraising</u> | <u>Total</u> |
|--|---------------------|-------------------|--------------------|---------------------|
| Salary, officer and other | \$ 157,632 | \$ 41,964 | \$ 41,648 | \$ 241,244 |
| Payroll taxes | 14,438 | 1,185 | 3,094 | 18,717 |
| Payroll processing fees | 1,235 | - | 271 | 1,506 |
| Medical insurance, officer and other | 19,370 | 8,074 | 5,334 | 32,778 |
| Medical reimbursements | 500 | 3,554 | 360 | 4,414 |
| Independent contract | - | 50 | 1,100 | 1,150 |
| Auto expense - gas and mileage | - | 2,537 | - | 2,537 |
| Books and subscriptions | - | 3,760 | 1,883 | 5,643 |
| Depreciation expense | - | 823 | - | 823 |
| Dues and subscriptions | - | 2,263 | - | 2,263 |
| Insurance expense | - | 1,644 | - | 1,644 |
| Internet costs | 123 | 2,010 | 16 | 2,149 |
| Miscellaneous | - | 4,177 | - | 4,177 |
| Office supplies, computer, equipment and other | - | 8,651 | - | 8,651 |
| Postage and delivery | - | 5,247 | 1,198 | 6,445 |
| Printing and copies | - | 3,152 | 6,942 | 10,094 |
| Professional fees | - | 290 | - | 290 |
| Rental - office | 9,767 | - | 1,720 | 11,487 |
| Telephone | 13,013 | 5,290 | 3,810 | 22,113 |
| Travel and other | 29,027 | 19,627 | 10,536 | 59,190 |
| Program grants | 2,042,351 | - | - | 2,042,351 |
| | <u>\$ 2,287,456</u> | <u>\$ 114,298</u> | <u>\$ 77,912</u> | <u>\$ 2,479,666</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, 2008 and 2007

| | 2008 | 2007 |
|--|-------------|-------------|
| Cash Flows From Operating Activities | | |
| Increase (Decrease) in net assets | \$ (56,523) | \$ 8,296 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities | | |
| Depreciation | 937 | 823 |
| (Increase) decrease in assets | | |
| Accounts receivable | 7,337 | (7,337) |
| Prepaid expenses | 40,231 | (40,231) |
| Other assets | 770 | (1,172) |
| Increase in liabilities | | |
| Accounts payable and other liabilities | 273 | (4,566) |
| Restricted fund payable | (95,734) | 112,866 |
| Deferred rent | 9,517 | - |
| Net Cash Provided (Used) by Operating Activities | (93,192) | 68,679 |
| Cash Flows From Investing Activities | | |
| Purchase of equipment | (1,810) | (124) |
| Net Increase (Decrease) in Cash | (95,002) | 68,555 |
| Cash, beginning of year | 210,072 | 141,517 |
| Cash, end of year | \$ 115,070 | \$ 210,072 |
| Supplemental Cash Flow Information | | |
| Interest paid | \$ - | \$ - |

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

African Leadership and Reconciliation Ministries of Texas
Notes to Financial Statements
December 31, 2008 and 2007

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 office 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 Christlikeness 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 Statement 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, 2008 and 2007

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.

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, 2008 are as follows:

| | |
|------------------|-----------|
| Office equipment | 3-5 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 SFAS 116, *Accounting for Contributions Received and Contributions Made*, 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.

African Leadership and Reconciliation Ministries of Texas
Notes to Financial Statements
December 31, 2008 and 2007

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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

NOTE 2: PROPERTY AND EQUIPMENT

Property and equipment at December 31 consisted of the following:

| | <u>2008</u> | <u>2007</u> |
|--------------------------------|-----------------|-----------------|
| Furniture and equipment | \$ 12,391 | \$ 10,581 |
| Less: accumulated depreciation | <u>(9,368)</u> | <u>(8,431)</u> |
| Total | <u>\$ 3,023</u> | <u>\$ 2,150</u> |

Depreciation expense related to these assets for 2008 and 2007 totaled \$937 and \$823, 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 their discretion. Contributions totaling \$4,354 for the year ended December 31, 2008 were made by the Organization, in addition to the elective deferrals made by employees.

NOTE 4: OPERATING LEASES

The Organization entered into a noncancellable 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 approximately as follows:

| | |
|------------|-------------------|
| 2009 | \$ 31,900 |
| 2010 | 34,400 |
| 2011 | 35,300 |
| 2012 | 36,200 |
| 2013 | 18,200 |
| Thereafter | - |
| | <u>\$ 156,000</u> |

Rent expense for 2008 and 2007 totaled approximately \$29,936 and \$11,487, respectively.

African Leadership and Reconciliation Ministries of Texas
Notes to Financial Statements
December 31, 2008 and 2007

NOTE 5: PRIOR PERIOD ADJUSTMENT

Temporarily restricted net assets and total net assets as of December 31, 2007 have been adjusted to reflect the liability to the “sister” African ministry at that date. Since the funds had already been spent in Africa, the release from restriction and accounts payable should have been recorded on the Organization’s book as of that date. Further, the same situation existed as of January 1, 2007 and temporarily restricted net assets and total net assets should have each been reduced accordingly.

The following chart reflects these corrections:

| | Restricted Fund Payable | Temporarily Restricted Net Assets | Total Net Assets |
|---|-------------------------------|---|---------------------|
| December 31, 2007, as previously stated | \$ - | \$ 228,770 | \$ 257,917 |
| Correction for encumbrance release and related liability: | | | |
| 2006 | - | (115,904) | (115,904) |
| 2007 | 112,866 | (112,866) | (112,866) |
| December 31, 2007, as restated | \$ 112,866 | \$ - | \$ 29,147 |

NOTE 6: 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 at December 31 consisted of the following:

| | 2008 | 2007 |
|-----------------|--------------|--------------|
| Regional office | \$ 564,568 | \$ 281,493 |
| Burundi | 206,005 | 171,310 |
| Congo | 135,433 | 176,558 |
| Kenya | 259,868 | 123,900 |
| Rwanda | 277,193 | 323,891 |
| Sudan | 697,294 | 685,695 |
| Tanzania | 100,057 | 46,925 |
| Uganda | 300,537 | 130,411 |
| Zambia | 111,827 | 102,138 |
| Total | \$ 2,652,782 | \$ 2,042,321 |