

Africa Renewal Ministries

AUDITED FINANCIAL STATEMENTS
December 31, 2014

Stephen W Cook



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Contents

Auditor's Report

Independent Auditor's Report	2
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Financial Statements

Statement of Financial Position	5
Statement of Activity and Change in Net Assets	6
Statement of Cash Flows	7

Supplementary Schedules

Schedule One - Combining Statement of Activities and Change in Net Assets	S-1	9
Schedule Two - Statement of Mutual Fund Investments	S-2	11
Schedule Three - Statement of Functional Expenses	S-3	12
Schedule Four - Statement of Cash, Cash Equivalents and Investments	S-4	13

Notes to Financial Statements	15
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Africa Renewal Ministries, Inc.
San Antonio, Texas

I have audited the accompanying financial statements of Africa Renewal Ministries, Inc. (the Organization) (a non-profit organization) which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit 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 auditor's 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary and Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedules on pages 9 through 13 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Stephen W Cook, CPA, PLLC

Stephen W Cook, CPA, PLLC
San Antonio, Texas
May 8, 2015

FINANCIAL STATEMENTS

AFRICAN RENEWAL MINISTRIES, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2014

Assets

Cash and cash equivalents	\$ 1,328,220
Property, plant and equipment, net	69,103

Total Assets \$ 1,397,323

Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued expenses	\$ 6,215
Deferred revenue	33,575
Interest expense payable	4,831
Current portion of longterm debt	<u>38,406</u>
Total Current Liabilities	83,027

Notes payable 161,294

Total Liabilities 244,321

Net Assets

Unrestricted	(134,163)
Temporarily restricted	<u>1,287,165</u>
Total Net Assets	<u>1,153,002</u>

Total Liabilities and Net Assets \$ 1,397,323

The notes to the financial statements are an integral part of these statements

AFRICAN RENEWAL MINISTRIES, INC.

STATEMENT OF ACTIVITY and CHANGE IN NET ASSETS

For the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues			
Program Services			
Child sponsorships	\$	\$ 2,169,633	\$ 2,169,633
Choir		13,043	13,043
Donations-building fund		521,455	521,455
Donations-nondesignated		768,699	768,699
		0	0
		0	0
Total program services	0	3,472,830	3,472,830
Management and General Expenses	356,346		356,346
Fund raising	2,178		2,178
InKind revenues	7,200		7,200
Interest and dividends	430		430
Net assets relaease from restrictions			0
Satisfaction of purpose	3,206,054	(3,206,054)	0
Total support and revenues	3,572,208	266,776	3,838,984
Expenses			
Program Services	3,206,054		3,206,054
Management and General Expenses	282,422		282,422
Fund raising	57,895		57,895
Total Expenses	3,546,371		3,546,371
Excess of Revenues/(Expenses)	25,837	266,776	292,613
Transfers	(160,000)	160,000	0
Increase (Decrease) in Net Assets	(134,163)	426,776	292,613
Reclassifications	0		0
Net Assets, beginning of year	0	860,389	860,389
Net Assets, end of year	<u>\$ (134,163)</u>	<u>\$ 1,287,165</u>	<u>\$ 1,153,002</u>

The notes to the financial statements are an integral part of these statements

AFRICAN RENEWAL MINISTRIES, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2014

Cash Flows from Operating Activities:

Increase (decrease) in net assets	\$ 292,613
Adjustments to reconcile increase in net assets to cash provided by operating activities:	
Depreciation	1,361
Changes in operating assets and liabilities:	
Increase (Decrease) in accounts payable	(988)
Increase (Decrease) in deferred revenues	33,005
Increase (Decrease) in accrued expenses	4,831
Increase (Decrease) in current portion of long-term debt	<u>38,406</u>
Net cash provided (used) by operating activities	369,228

Cash Flows From Investing Activities

Purchase of fixed assets	<u>(69,498)</u>
Net cash flow provided (used) by investing activities	(69,498)

Cash Flows From Financing Activities

Proceeds from long-term borrowing	<u>161,294</u>
Net cash flow provided (used) by financing activities	161,294

Net Increase (Decrease) in cash and cash equivalents

Cash and cash equivalents-beginning of period	<u>867,196</u>
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Cash and cash equivalents-end of period

\$ 1,328,220

The notes to the financial statements are an integral part of these statements

SUPPLEMENTARY SCHEDULES

AFRICAN RENEWAL MINISTRIES, INC.

SUPPLEMENTARY SCHEDULE - ONE

COMBINING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Year Ended December 31, 2014

	Temporarily Restricted Assets					Unrestricted Assets			
	Children Sponsorships	Choir	Building Fund	Other- Designated	Total Temporarily Restricted Assets	General and Administrative	Fund Raising	Total Unrestricted Assets	Total Net Assets
Net Assets @ 12/31/2013	\$ 465,197	\$ 37,863	\$ 34,669	\$ 322,660	\$ 860,389	\$ 0	\$ 0	\$ 0	\$ 860,389
Support and Revenue									
Donations	144,985	13,043	521,455	768,699	1,448,182	356,346	2,178	358,524	1,806,706
Pledges	2,024,648				2,024,648				2,024,648
In-Kind						7,200		7,200	7,200
Interest & dividends						430		430	430
Total support and revenue	<u>2,169,633</u>	<u>13,043</u>	<u>521,455</u>	<u>768,699</u>	<u>3,472,830</u>	<u>363,976</u>	<u>2,178</u>	<u>366,154</u>	<u>3,838,984</u>
Expenses									
Direct assistance	2,131,057		222,405	660,652	3,014,114				3,014,114
Salaries and related expenses		76,783			76,783	144,960	32,241	177,201	253,984
Travel and vehicle		85,858			85,858	17,823	6,346	24,169	110,027
All other		29,299			29,299	119,639	19,308	138,947	168,246
Total expenses	<u>2,131,057</u>	<u>191,940</u>	<u>222,405</u>	<u>660,652</u>	<u>3,206,054</u>	<u>282,422</u>	<u>57,895</u>	<u>340,317</u>	<u>3,546,371</u>
Excess of Revenues/(Expenses)	38,576	(178,897)	299,050	108,047	266,776	81,554	(55,717)	25,837	292,613
Transfers									
Board designated		160,000			160,000	(160,000)		(160,000)	0
Total transfers		160,000			160,000	(160,000)		(160,000)	0
Change in Net Assets	<u>38,576</u>	<u>(18,897)</u>	<u>299,050</u>	<u>108,047</u>	<u>426,776</u>	<u>(78,446)</u>	<u>(55,717)</u>	<u>(134,163)</u>	<u>292,613</u>
Net assets @ 12/31/2014	<u>503,773</u>	<u>18,966</u>	<u>333,719</u>	<u>430,707</u>	<u>1,287,165</u>	<u>(78,446)</u>	<u>(55,717)</u>	<u>(134,163)</u>	<u>1,153,002</u>
Unrestricted						(78,446)	(55,717)	(134,163)	(134,163)
Temporarily restricted	<u>503,773</u>	<u>18,966</u>	<u>333,719</u>	<u>430,707</u>	<u>1,287,165</u>			<u>0</u>	<u>1,287,165</u>
Net assets @ 12/31/2014	<u>\$ 503,773</u>	<u>\$ 18,966</u>	<u>\$ 333,719</u>	<u>\$ 430,707</u>	<u>\$ 1,287,165</u>	<u>\$ (78,446)</u>	<u>\$ (55,717)</u>	<u>\$ (134,163)</u>	<u>\$ 1,153,002</u>

AFRICAN RENEWAL MINISTRIES, INC.SUPPLEMENTARY SCHEDULE - TWO
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Direct Assistance-Children	\$ 2,131,057	\$	\$	\$ 2,131,057
Direct Assistance-Building Funds	222,405			222,405
Direct Assistance-Other	660,652			660,652
Salaries	69,857	132,856	29,528	232,241
Payroll Taxes	6,926	11,972	2,713	21,611
Employee benefits		132		132
Accounting	17,395	30,735		48,130
Advertising and promotional		297	150	447
Bank fees	931	6,200		7,131
Computer	416	11,284		11,700
Contract services		13,888		13,888
Credit card fees		24,996		24,996
Dues and subscriptions	433	2,419		2,852
Insurances	155	3,227		3,382
Interest expense	4,831			4,831
Legal	285	11,385		11,670
License	610	963		1,573
Occupancy		7,200		7,200
Office expenses	618	95	4,139	4,852
Payroll processing	444	1,113		1,557
Repair and maintenance	797	(79)		718
Postage and freight	162	(40)	11,987	12,109
Printing and duplication		276	2,987	3,263
Software	386	14		400
Telephone	1,836	4,306		6,142
Travel	85,498	16,174	6,347	108,019
Vehicle	360	1,648	44	2,052
Depreciation		1,361		1,361
	<u>\$ 3,206,054</u>	<u>\$ 282,422</u>	<u>\$ 57,895</u>	<u>\$ 3,546,371</u>

NOTES TO FINANCIAL STATEMENTS

AFRICA RENEWAL MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE 1 – ORGANIZATION

The Africa Renewal Ministries (the Organization) is organized as a non-profit corporation under the laws of the State of Texas. The Organization's purpose is to receive and administer gifts, offerings, donations, and other contributions from the community for the work of developing Christian leaders in Uganda, East Africa. Leadership development is accomplished through Christian churches, schools and orphanages and the African Renewal University. Support is provided to Christian churches, schools, and orphanages in the area.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Date of Management's Review

Subsequent events were evaluated through May 8, 2015, which is the date of the financial statements.

B. Basis of Presentation and Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting which recognizes income when earned and expenses when incurred.

In order to accommodate the various alternatives for donor's distribution objectives, the Organization's records are maintained in accordance with the principles of fund accounting. This is the procedure by which resources are classified for accounting and reporting purposes into funds established according to their nature and purpose. The Organization resources are accounted for by the use of separate funds so that visibility and control of donor restrictions and designations by the Board of Directors are maintained.

A summary of the net asset categories included in the accompanying financial statements is as follows:

Unrestricted – Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted – Temporarily restricted amounts represent gifts that are subject to donor-imposed restriction, either for a specific purpose or time. Temporarily restricted amounts also include earnings on permanently restricted endowments that are absent of explicit donor stipulations and that have not yet been appropriated for expenditures by the Organization. When the restriction expires, the net assets of this fund are reclassified to unrestricted net assets.

Permanently Restricted – Permanently restricted amounts represent those assets contributed to the Organization for which the original dollar value is to remain in perpetuity as a permanent endowment of the Organization. Permanently restricted net assets, when available, are reported at their original value at the time of the gift. The Organization keeps the original corpus and realized and unrealized gains and losses on those assets linked for determining the fair value of the fund for fulfilling the Organization's fiduciary responsibilities. Realized and unrealized gains and losses on those assets are recorded as temporarily restricted assets until appropriated, and do not impact the original corpus of the permanently restricted assets. The Organization did not have any permanently restricted funds at December 31, 2014.

C. Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All pledges receivable and amounts received that are donor restricted for future periods or donor restricted for specific purposes are reported as temporarily or permanently restricted. The restricted net

AFRICA RENEWAL MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions when the donor stipulated time restriction ends or the purpose restriction is accomplished by the Organization.

D. In Kind Contributions and Donated Services

It is the Organization's policy to record non-cash items and in-kind gifts at their fair value on the date they are received.

Contributed services are recorded in the financial statements to the extent that those services create or enhance a nonfinancial asset or meet the following criteria: a) the service requires specialized skills, b) the service is provided by individual who possess those skills, and c) the service would typically need to be purchased if not contributed.

E. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be a cash equivalent. Cash and cash equivalents consist of cash and savings.

F. Concentrations of Credit Risk

The Organization places excess funds in a savings account. The Organization has established guidelines relative to diversification and maturities that target certain safety and liquidity risk levels. Those guidelines are periodically reviewed and modified.

The Organization maintains cash balances in financial institutions located in the United States of America. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization holds cash in excess of federally insured limits.

G. Capital Assets

Purchased equipment is recorded as cost. Donated equipment is recorded at its fair market value at the time of the donation. All assets are depreciated over their useful life using the straight line method of depreciation.

H. Deferred Revenue

Refundable advances for choir tour events received in the current year for next year's events are recorded as deferred revenue. These funds will be recognized as revenue in the succeeding year when the services are provided.

I. Program Income and Expenses

All funding takes the form of contributions and sponsorships. All expenses are directly related to the Organization's tax exempted purpose.

J. Functional Allocation of Expenses

Expenses are specifically allocated to the various programs and supporting services whenever practical. When this is impractical, allocations are made on the basis of time and expense reports, space utilization or the best estimates of management.

AFRICA RENEWAL MINISTRIES, INC.**NOTES TO FINANCIAL STATEMENTS**

December 31, 2014

K. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates. Significant estimates used in preparing these financial statements include those assumed in computing in-kind contribution and donated services and the functional allocation of expenses.

L. Income Taxes

The Organization is a non-profit organization that is exempt from income taxes under Section 501 (C) (3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization has no income from certain activities that are not directly related to the Organization's tax exempt purpose. Accordingly, no provisions for federal income taxes are required.

For the year ended December 31, 2014, the Organization's management believes it has adequate support for all material tax positions and that it is more likely than not, based on technical merits, that the positions will be sustained upon examination. All filings with the Internal Revenue Service are current.

NOTE 3 – CASH, TEMPORARY INVESTMENTS and INVESTMENTS

Cash and temporary investments consist of checking and savings accounts. The Organization's cash and temporary investments are partially protected by the Federal Deposit Insurance (FDIC).

All cash, temporary investments and investments are stated at fair market value as of the last day of the fiscal year. A summary of fair market value is as follows:

	<u>Type</u>	<u>Interest Rate</u>	<u>Balance @ 12-31-2014</u>	<u>Earnings</u>
Cash and Cash Equivalents				
Wells Fargo - Depository (774)	Checking	N/A	\$ 535,386	\$
Wells Fargo - Operating (759)	Checking	N/A	53,073	
Wells Fargo - Operating (708)	Savings	Variable	729,963	430
Capital One - Operating(053)	Checking	N/A	9,634	
Capital One - Operating(053)	Checking	N/A	164	
Total			<u>\$ 1,328,220</u>	<u>\$ 430</u>

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost. Assets are depreciated using the straight line method. Currently all assets are depreciated over five years to seven years. A summary of the Organization's property, plant and equipment is as follows:

	<u>Balance at 12/31/2013</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance at 12/31/2014</u>
Computers	\$ 14,751	\$ 3,948	\$	\$ 18,699
Office furniture and equipment	4,339			4,339
Vehicles		65,550		65,550
	19,090	69,498	0	88,588
Accumulated depreciation	18,124	1,361	0	19,485
	<u>\$ 966</u>	<u>\$ 68,137</u>	<u>\$ 0</u>	<u>\$ 69,103</u>

AFRICA RENEWAL MINISTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE 5 – NOTES PAYABLE

The Organization had both secured and unsecured debt at December 31, 2014 as follows:

Secured Debt:

Vehicle Notes to Ford Motor Credit Company, LLC

2014 Ford E-350 Van:				2014 Ford E-350 Van:				Total
60 Monthly payments of \$392.05 @ 6.79%	Year of Payment	Annual Principal	Outstanding Balance	60 Monthly payments of \$392.05 @ 6.79%	Annual Principal	Outstanding Balance	Secured Debt Balance	
			19,850			19,850	39,700	
	2015	3,203	16,647	3,203	16,647	33,294		
	2016	3,681	12,966	3,681	12,966	25,932		
	2017	3,939	9,027	3,939	9,027	18,054		
	2018	4,214	4,813	4,214	4,813	9,626		
	2019	4,509	304	4,509	304	608		
	2020	304	0	304	0	0		

Unsecured Debt:

Individuals: 5 equal
annual payments of
\$160,000 at 5.00%

			160,000
2015	32,000	128,000	
2016	32,000	96,000	
2017	32,000	64,000	
2018	32,000	32,000	
2019	32,000	0	

NOTE 6 – CONTRIBUTED SERVICES

Unpaid volunteers made contributions of their time and support of the Organization's program services. The value of this contributed time is not reflected in the accompanying financial statements.

NOTE 7 – RELATED PARTY TRANSACTIONS

There were no related party transactions that were material to the financial statements during the fiscal year.

NOTE 8 – CONCENTRATION OF CONTRIBUTIONS

The organization receives contributions from a variety of sources. These sources include individuals, churches and other charitable organizations. There are no contributors that exceed 5% of the total contributions received.

Stephen W Cook



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MANAGEMENT LETTER

To the Board of Directors
Africa Renewal Ministries, Inc.
San Antonio, Texas

In planning and performing my audit of the financial statements of the Africa Renewal Ministries, Inc. for the year ended December 31, 2014, I considered the Organization's internal control in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

During my audit, I did become aware of an opportunity for strengthening internal controls and operating efficiency.

Organizational Structure

The Organization maintains an in-house administrative staff including an executive director and office manager. The Organization engages an outside accounting firm to maintain its general ledger and prepare financial statements.

After reviewing the internal controls of the Organization it appears that a system of checks, balances and approvals are in place. During the audit, it appeared that proper supporting documentation did not always accompany all paid invoices and credit card statements. It appears that approvals were based in large part on the item description and a general knowledge for each credit card user's duties. The best controls require that a receipt or invoice accompany every purchase.

Board of Directors' should note that they have both a legal and fiduciary responsibility to protect the assets of the organization.

This report is intended solely for the information and use of management, the finance committee, Board of Directors, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Stephen W Cook, CPA

Stephen W Cook, CPA
San Antonio, Texas
May 8, 2015