

**AFRICA RENEWAL MINISTRIES**

**Audited Financial Statements**

**December 31, 2011 and 2010**

**AKIN, DOHERTY, KLEIN & FEUGE, P.C.**  
*Certified Public Accountants*

**AFRICA RENEWAL MINISTRIES**  
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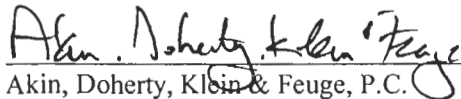
**REPORT OF INDEPENDENT AUDITORS**

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

We have audited the accompanying balance sheets of Africa Renewal Ministries (the "Organization"), as of December 31, 2011 and 2010, and the related statements of activities, 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 audits.

We conducted our audits in accordance with U. S. generally accepted auditing standards. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the balance sheets of Africa Renewal Ministries as of December 31, 2011 and 2010, and its activities, functional expenses, and cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

  
Akin, Doherty, Klein & Feuge, P.C.  
San Antonio, Texas  
June 29, 2012

**AFRICA RENEWAL MINISTRIES**  
**Balance Sheets**  
**December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 670,462	\$ 825,806
Total current assets	<u>670,462</u>	<u>825,806</u>
Equipment:		
Computers	14,451	15,038
Other	4,339	800
Total equipment	<u>18,790</u>	<u>15,838</u>
Less accumulated depreciation	<u>(9,961)</u>	<u>(9,461)</u>
Net equipment	8,829	6,377
Other assets	<u>1,300</u>	<u>-</u>
<b>Total Assets</b>	<u><u>\$ 680,591</u></u>	<u><u>\$ 832,183</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 38,429	\$ 6,169
Total current liabilities	<u>38,429</u>	<u>6,169</u>
Net Assets:		
Unrestricted	<u>642,162</u>	<u>826,014</u>
Total net assets	<u>642,162</u>	<u>826,014</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 680,591</u></u>	<u><u>\$ 832,183</u></u>

*See notes to audited financial statements.*

**AFRICA RENEWAL MINISTRIES**  
**Statements of Activities**  
**Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Support and Revenues</b>		
Child sponsorship donations	\$ 1,991,273	\$ 2,033,310
Mwangaza choir	175,076	219,411
Donations	1,081,770	1,343,264
Craft donations	54,380	96,469
In-kind support, rent	7,200	7,200
Corporate support	301,358	397,234
Fundraising income	78,491	-
Interest income	1,045	1,498
Total support and revenues	<u>3,690,593</u>	<u>4,098,386</u>
<b>Expenses</b>		
Program services:		
Child sponsorship transfers	1,998,587	2,002,574
Craft costs	8,231	97,439
Mwangaza transfers	124,600	239,906
Other programs	256,471	172,287
Transfers	1,238,138	1,274,703
Total program services	<u>3,626,027</u>	<u>3,786,909</u>
Management and general:		
Corporate	162,727	110,332
In-kind expenses, rent	7,200	7,200
Total management and general	<u>169,927</u>	<u>117,532</u>
Fundraising	78,491	76,250
Total expenses	<u>3,874,445</u>	<u>3,980,691</u>
<b>Change in Net Assets</b>	(183,852)	117,695
Net assets at beginning of year	<u>826,014</u>	<u>708,319</u>
<b>Net Assets at End of Year</b>	<u>\$ 642,162</u>	<u>\$ 826,014</u>

*All support and revenues are unrestricted.*

*See notes to audited financial statements.*

**AFRICA RENEWAL MINISTRIES**  
**Statements of Functional Expenses**  
**Years Ended December 31, 2011 and 2010**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<i>Year Ended December 31, 2011:</i>				
Direct assistance	\$ 3,369,556	\$ -	\$ -	\$ 3,369,556
Salaries	126,011	94,314	47,989	268,314
Payroll taxes	11,563	14,939	3,792	30,294
Accounting	12,630	5,535	3,951	22,116
Office expenses	48,811	13,264	7,611	69,686
Occupancy	3,120	1,040	1,040	5,200
Occupancy, in-kind	-	7,200	-	7,200
Travel	-	19,024	4,076	23,100
Insurance	158	1,867	158	2,183
Merchant fees	28,987	-	-	28,987
Bank charges and related	4,403	2,333	-	6,736
Software license fees	8,946	1,051	35	10,032
Information technology	-	-	-	-
Advertising and promotion	9,253	2,840	1,171	13,264
Depreciation	2,589	-	-	2,589
Other expenses	-	6,520	8,668	15,188
	<u>\$ 3,626,027</u>	<u>\$ 169,927</u>	<u>\$ 78,491</u>	<u>\$ 3,874,445</u>
<i>Year Ended December 31, 2010:</i>				
Direct assistance	\$ 3,614,622	\$ -	\$ -	\$ 3,614,622
Salaries	80,165	58,185	48,125	186,475
Payroll taxes	-	5,312	4,393	9,705
Accounting	11,944	2,888	1,238	16,070
Office expenses	37,592	6,410	2,747	46,749
Occupancy	-	1,462	627	2,089
Occupancy, in-kind	-	7,200	-	7,200
Travel	-	10,620	11,854	22,474
Insurance	-	4,838	1,613	6,451
Merchant fees	26,354	-	-	26,354
Bank charges and related	-	6,794	-	6,794
Software license fees	8,339	797	341	9,477
Information technology	-	644	161	805
Advertising and promotion	5,325	9,587	4,109	19,021
Depreciation	2,170	-	-	2,170
Other expenses	398	2,795	1,042	4,235
	<u>\$ 3,786,909</u>	<u>\$ 117,532</u>	<u>\$ 76,250</u>	<u>\$ 3,980,691</u>

*See notes to audited financial statements.*

**AFRICA RENEWAL MINISTRIES**  
**Statements of Cash Flows**  
**Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Operating Activities</b>		
Change in net assets	\$ (183,852)	\$ 117,695
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,589	2,170
Changes in operating assets and liabilities:		
Other current assets	(1,300)	-
Accounts payable and accrued expenses	32,260	(9,344)
Net cash provided (used) by operating activities	<u>(150,303)</u>	<u>110,521</u>
<b>Investing Activities</b>		
Purchase of equipment	(5,041)	(6,964)
Net cash (used) by investing activities	<u>(5,041)</u>	<u>(6,964)</u>
<b>Financing Activities</b>		
Repayments on borrowings	-	(85,000)
Net cash (used) by financing activities	<u>-</u>	<u>(85,000)</u>
Net change in cash	(155,344)	18,557
Cash at beginning of year	<u>825,806</u>	<u>807,249</u>
<b>Cash at End of Year</b>	<u><u>\$ 670,462</u></u>	<u><u>\$ 825,806</u></u>
<b>Supplemental Disclosures</b>		
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	-	-

*See notes to audited financial statements.*

**AFRICA RENEWAL MINISTRIES**  
**Notes to Audited Financial Statements**  
**December 31, 2011 and 2010**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Organization:* Africa Renewal Ministries (the Organization) is organized as a not-for-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 leadership development, relief, rehabilitation, reconstruction, and development of Uganda, East Africa. Support is provided to Christian churches, schools, and orphanages in the area.

*Basis of Accounting and Preparation of Financial Statements:* The accompanying financial statements have been prepared following U.S. generally accepted accounting principles. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Unrestricted Net Assets:* Unrestricted net assets that are not subject to donor-imposed stipulations.

*Temporarily Restricted Net Assets:* Temporarily restricted net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization did not have any temporarily restricted net assets at December 31, 2011 or 2010.

*Permanently Restricted Net Assets:* Permanently restricted net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization did not have any permanently restricted net assets at December 31, 2011 or 2010.

*Donated Services:* Donated services (excluding professional and similar type services) are not valued or recorded in these financial statements. However, a substantial number of volunteers donate significant amounts of time to the Organization's programs. Volunteer hours are estimated at 5,000 in 2011 and 5,100 in 2010.

*Contributions and Pledges:* Contributions and pledges are reported as support and revenue as received. Such amounts are recorded as restricted support if they are received with donor stipulations that limit their use. When the restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, such assets are reclassified to unrestricted and reported in the statement of activities as net assets released from restrictions. Contributions received with restrictions whose restrictions are met in the same reporting period are generally reported as unrestricted support.

The Organization reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.



**AFRICA RENEWAL MINISTRIES**  
**Notes to Audited Financial Statements**  
**December 31, 2011 and 2010**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued**

*Functional Allocation of Expenses:* The costs of providing the services and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated to the programs and supporting services benefited.

*Cash and Cash Equivalents:* Cash and cash equivalents consist of unrestricted cash on hand, demand deposits held by financial institutions, and any equivalent securities with a maturity of three months or less.

*Equipment:* Equipment is stated at historical cost or estimated fair value at date of donation to the Organization. Expenditures for betterments that materially extend the useful life of an asset are capitalized. Depreciation is recorded using the straight-line method over the estimated useful lives of the related asset (generally three to ten years for furniture and equipment).

*Income Taxes:* Africa Renewal Ministries is a not-for-profit organization exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. Donors of money and/or property are entitled to the maximum charity contribution deduction under the law. The Organization is not subject to Texas margin tax. Management is not aware of any tax positions that would have a significant impact on its financial position. Its federal tax returns for the last four years remain subject to examination.

*Concentrations of Credit Risk:* Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization places its temporary cash investments with financial institutions and limits the amount of credit exposure, although it may from time to time have cash balances in excess of that insured by the FDIC. The Organization periodically assesses the financial institutions and believes the risk of loss is minimal.

*Subsequent Events:* Subsequent events have been evaluated by management through the date of the report of the independent auditors. Material subsequent events, if any, are disclosed in a separate footnote to these financial statements.

*New Accounting Pronouncements:* Management is not aware of any new accounting pronouncements that have been released, and are not yet effective, which will have a significant impact to its financial position or results of operations in future periods.

*Use of Estimates:* The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**AFRICA RENEWAL MINISTRIES**  
**Notes to Audited Financial Statements**  
**December 31, 2011 and 2010**

**NOTE B – IN-KIND CONTRIBUTION**

The Organization receives the free usage of office space at 102 Ivywood Circle in San Antonio from Wayside Chapel. The fair market rental value of this space is approximately \$600 per month. Accordingly, the Organization reported \$7,200 as in-kind support and in-kind rent expense for the use of this office space in 2011 and 2010.

**NOTE C – LEASING ARRANGEMENTS**

The Organization entered into a lease agreement in 2011 for office space in Colorado. Rent expense was approximately \$3,900 in 2011. The future minimum lease payments under the agreement are as follows at December 31:

2012	\$ 15,600
2013	15,600
2014	11,700