

AFRICA RENEWAL MINISTRIES

Audited Financial Statements

December 31, 2012 and 2011

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

AFRICA RENEWAL MINISTRIES
Table of Contents
December 31, 2012 and 2011

	<u>Page</u>
Audited Financial Statements	
Independent Auditor's Report	1
Balance Sheets	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Audited Financial Statements	7



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Africa Renewal Ministries, which comprise the balance sheets of as of December 31, 2012 and 2011, and the related statements of activities, 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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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

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 misstatements.

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 risk 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.

- 1 -

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Africa Renewal Ministries as of December 31, 2012 and 2011, and its activities, functional expenses and cash flows for the years then ended, in conformity with U. S. generally accepted accounting principles.


Akin, Doherty, Klein & Feuge, P.C.
San Antonio, Texas
May 31, 2013

AFRICA RENEWAL MINISTRIES
Balance Sheets
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 493,391	\$ 670,462
Prepaid expenses	89,070	-
Total current assets	<u>582,461</u>	<u>670,462</u>
Equipment:		
Computers	14,751	14,451
Other	4,339	4,339
Total equipment	<u>19,090</u>	<u>18,790</u>
Less accumulated depreciation	<u>(15,542)</u>	<u>(9,961)</u>
Net equipment	3,548	8,829
Other Assets	<u>-</u>	<u>1,300</u>
Total Assets	<u><u>\$ 586,009</u></u>	<u><u>\$ 680,591</u></u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 4,504	\$ 38,429
Deferred revenue	25,480	-
Total current liabilities	<u>29,984</u>	<u>38,429</u>
Net Assets:		
Unrestricted	<u>556,025</u>	<u>642,162</u>
Total net assets	<u>556,025</u>	<u>642,162</u>
Total Liabilities and Net Assets	<u><u>\$ 586,009</u></u>	<u><u>\$ 680,591</u></u>

See notes to audited financial statements.

AFRICA RENEWAL MINISTRIES
Statements of Activities
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Support and Revenues		
Child sponsorship donations	\$ 2,289,290	\$ 1,991,273
Mwangaza choir	-	175,076
Donations	827,348	1,081,770
Craft donations	-	54,380
In-kind support, rent	7,200	7,200
Corporate support	289,558	301,358
Fundraising income	-	78,491
Interest income	569	1,045
Total support and revenues	<u>3,413,965</u>	<u>3,690,593</u>
Expenses		
Program services:		
Child sponsorship transfers	2,243,017	1,998,587
Craft costs	-	8,231
Mwangaza transfers	28,882	124,600
Other programs	247,146	256,471
Transfers	798,355	1,238,138
Total program services	<u>3,317,400</u>	<u>3,626,027</u>
Management and general:		
Corporate	134,779	162,727
In-kind expenses, rent	7,200	7,200
Total management and general	<u>141,979</u>	<u>169,927</u>
Fundraising	40,723	78,491
Total expenses	<u>3,500,102</u>	<u>3,874,445</u>
Change in Net Assets	(86,137)	(183,852)
Net assets at beginning of year	<u>642,162</u>	<u>826,014</u>
Net Assets at End of Year	<u><u>\$ 556,025</u></u>	<u><u>\$ 642,162</u></u>

All support and revenues are unrestricted.

See notes to audited financial statements.

AFRICA RENEWAL MINISTRIES
Statements of Functional Expenses
Years Ended December 31, 2012 and 2011

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<i>Year Ended December 31, 2012:</i>				
Direct assistance	\$ 3,041,372	\$ -	\$ -	\$ 3,041,372
Salaries	136,865	48,428	20,588	205,881
Payroll taxes	11,509	4,193	1,744	17,446
Accounting	11,367	1,848	1,468	14,683
Office expenses	40,024	42,057	9,120	91,201
Occupancy	15,600	8,970	2,730	27,300
Occupancy, in-kind	-	7,200	-	7,200
Travel	459	20,441	2,327	23,227
Insurance	480	5,413	-	5,893
Merchant fees	27,898	-	-	27,898
Bank charges and related	4,400	2,578	-	6,978
Software license fees	7,684	851	-	8,535
Advertising and promotion	6,242	-	2,746	8,988
Depreciation	5,581	-	-	5,581
Other expenses	7,919	-	-	7,919
	<u>\$ 3,317,400</u>	<u>\$ 141,979</u>	<u>\$ 40,723</u>	<u>\$ 3,500,102</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
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>

See notes to audited financial statements.

AFRICA RENEWAL MINISTRIES
Statements of Cash Flows
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating Activities		
Change in net assets	\$ (86,137)	\$ (183,852)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:		
Depreciation	5,581	2,589
Changes in operating assets and liabilities:		
Prepaid expenses	(89,070)	-
Other current assets	1,300	(1,300)
Accounts payable and accrued expenses	(33,925)	32,260
Deferred revenue	25,480	-
Net cash (used) by operating activities	<u>(176,771)</u>	<u>(150,303)</u>
Investing Activities		
Purchase of equipment	<u>(300)</u>	<u>(5,041)</u>
Net cash (used) by investing activities	<u>(300)</u>	<u>(5,041)</u>
Net change in cash	(177,071)	(155,344)
Cash at beginning of year	<u>670,462</u>	<u>825,806</u>
Cash at End of Year	<u><u>\$ 493,391</u></u>	<u><u>\$ 670,462</u></u>
Supplemental Disclosures		
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, 2012 and 2011

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 developing Christian leaders in Uganda, East Africa. Leadership development is accomplished through Christian churches, schools and orphanages and Africa Renewal University. 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: Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets: 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, 2012 or 2011.

Permanently Restricted Net Assets: 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, 2012 or 2011.

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 400 in 2012 and 5,000 in 2011.

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 member 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, 2012 and 2011

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 among 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 return 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, and has not experienced any losses to date.

Subsequent Events: Subsequent events have been evaluated by management through the date of the independent auditor's report. 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, 2012 and 2011

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 2012 and 2011.

NOTE C – LEASING ARRANGEMENTS

The Organization entered into a lease agreement in 2011 for office space in Colorado. Rent expense was approximately \$15,600 in 2012. In addition, the Organization bought out of this lease agreement in 2012 for an additional \$11,700. There are no remaining lease commitments due under the agreement at December 31, 2012 and the Organization is no longer using the office space.

NOTE D - PREPAID EXPENSES AND DEFERRED REVENUE

Prepaid expenses of \$89,070 at December 31, 2012 represents expenses paid in advance towards the 2013 tour for the Mwanganza Choir. This choir is sponsored by Africa Renewal and helps promote their programs in Africa.

Deferred revenue of \$25,480 at December 31, 2012 represents deposits placed by churches and other organizations related to booking fees for the 2013 Mwanganza Choir tour.

NOTE E - RELATED PARTY TRANSACTION

A Director provides consulting, accounting and CFO services to the Organization. Such services totaled \$40,375 during the year ended December 2012. Management believes the charges are reasonable and customary for what a third party provider would charge.