

THE TWELFTH STEP MINISTRY, INC.

Financial Statements
(With Auditor's Report Thereon)

Year Ended December 31, 2010

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INDEPENDENT AUDITOR'S REPORT

To the Governing Board
The Twelfth Step Ministry, Inc.

We have audited the accompanying statement of financial position of The Twelfth Step Ministry, Inc. (a Texas nonprofit corporation) as of December 31, 2010, and the related statement of activities and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Ministry'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 Twelfth Step Ministry as of December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

May 6, 2011

FINANCIAL STATEMENTS

THE TWELFTH STEP MINISTRY, INC.
Statement of Financial Position
December 31, 2010
(With Comparative Totals for the Year Ended December 31, 2009)

	<u>2010</u>	<u>2009</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ <u>54,879</u>	<u>42,801</u>
Total assets	\$ <u>54,879</u>	<u>42,801</u>
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$	<u>12</u>
Total current liabilities		<u>12</u>
Net assets:		
Unrestricted	52,109	37,491
Temporarily restricted	<u>2,770</u>	<u>5,298</u>
Total liabilities and net assets	\$ <u>54,879</u>	<u>42,801</u>

The notes to the financial statements are an integral part of this statement.

THE TWELFTH STEP MINISTRY, INC.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2010
(With Comparative Totals for the Year Ended December 31, 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2010</u>	<u>2009</u>
REVENUES:				
Contributions	\$ 37,349		37,349	38,444
Rental fees	54,208		54,208	47,701
Fundraising event	27,135		27,135	24,326
Grants				20,000
Program income	754		754	
Counseling income	2,436		2,436	
Other				239
Net assets released from restrictions	<u>2,528</u>	<u>(2,528)</u>		
Total revenues	<u>124,410</u>	<u>(2,528)</u>	<u>121,882</u>	<u>130,710</u>
 EXPENSES				
Salaries	34,529		34,529	32,731
Payroll taxes	2,412		2,412	2,299
Health insurance				78
Pension expense				1,288
Rent	36,000		36,000	36,000
Vehicle expense	1,459		1,459	419
Fundraising event	6,252		6,252	13,654
Telephone	2,080		2,080	1,608
Office expense	2,280		2,280	544
Development cost	4,908		4,908	12,564
Auditing and accounting	2,075		2,075	2,325
Travel	996		996	
Consulting	13,575		13,575	
Dues & License	1,564		1,564	200
Program expense	1,335		1,335	
Insurance	60		60	
Other	<u>267</u>		<u>267</u>	<u>535</u>
Total expenses	<u>109,792</u>		<u>109,792</u>	<u>104,245</u>
 Change in net assets	 14,618	 (2,528)	 12,090	 26,465
Net assets, beginning of year	<u>37,491</u>	<u>5,298</u>	<u>42,789</u>	<u>16,324</u>
Net assets, end of year	\$ <u>52,109</u>	<u>2,770</u>	<u>54,879</u>	<u>42,789</u>

The notes to the financial statements are an integral part of this statement.

THE TWELFTH STEP MINISTRY, INC.
Statement of Cash Flows
For the Year Ended December 31, 2010
(With Comparative Totals for the Year Ended December 31, 2009)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 12,090	26,465
Adjustments to reconcile changes in net assets to net cash provided/(used) by operating activities:		
Increase/(decrease) in accounts payable	<u>(12)</u>	<u>12</u>
Net cash provided/(used) by operating activities	<u>12,078</u>	<u>26,477</u>
Net increase/(decrease) in cash and cash equivalents	12,078	26,477
Cash and cash equivalents at beginning of year	<u>42,801</u>	<u>16,324</u>
Cash and cash equivalents at end of year	\$ <u>54,879</u>	<u>42,801</u>

The notes to the financial statements are an integral part of this statement.

THE TWELFTH STEP MINISTRY, INC.

Notes to Financial Statements

December 31, 2010

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The summary of significant accounting policies of The Twelfth Step Ministry, Inc. (Ministry) are presented to assist in understanding the financial statements. The financial statements of the Ministry were prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP) and accordingly reflect all significant receivables, payables, and other liabilities. Encumbrances representing outstanding purchase orders and other commitments for materials or services not yet received are not liabilities as of the reporting date.

A. **Organization**

The Twelfth Step Ministry, Inc. was formed in 1991 and incorporated in 2005. The Ministry is a Texas nonprofit corporation dedicated to establishing, developing and promoting an improved way of life for members of the recovery community. The Ministry offers a safe environment at the Center for Spiritual Development where healing can lead to preparation for returning to family, friends and professions.

The Ministry's primary sources of revenue are contributions from donors who have a common desire to promote recovery and from fees collected from those who meet at the Ministry's Center for Spiritual Development.

B. **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 assets 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 are recognized as revenues in the period unconditional promises to give are received. Contributions of assets other than cash are recorded at their estimated fair value.

C. **Cash and Cash Equivalents**

The Ministry considers all short-term investments with an original maturity of ninety days or less to be cash equivalents.

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THE TWELFTH STEP MINISTRY, INC.

Notes to Financial Statements

December 31, 2010

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(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Income Taxes

The Ministry is a nonprofit organization, which has been determined to be exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. For the year ended December 31, 2010, the Ministry has not conducted any unrelated business activities that would be subject to federal income taxes. Therefore, no tax provision or liability has been reported in the accompanying financial statements.

(2) TEMPORARILY RESTRICTED NET ASSETS

The Ministry's temporarily restricted net assets consisted of grant monies from Hillcrest Foundation to be used toward mileage reimbursement and other related outreach activities. The balance of the grant monies at December 31, 2010 was \$2,770. During the year, \$2,528 was expended for grant purposes and therefore released from restriction.

(3) EMPLOYEE RETIREMENT PLAN

The Ministry has adopted a defined contribution retirement plan, administered by the General Board of Pensions and Health Benefits of the United Methodist Church. This plan is for the benefit of all full-time employees, including ordained ministerial staff. To participate, employees must contribute at least three percent of their eligible compensation. The Ministry contributes six percent of eligible employee compensation. For the year ended December 31, 2010, the Ministry had no full-time employees and therefore, did not contribute to the plan.