

THE TWELFTH STEP MINISTRY, INC.  
FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2012

THE TWELFTH STEP MINISTRY, INC.

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LORI K. ORTA, P.C.

Certified Public Accountant

Independent Auditor's Report

To the Board of Directors  
The Twelfth Step Ministry, Inc.

We have audited the accompanying financial statements of The Twelfth Step Ministry, Inc. (a nonprofit corporation) (the "Organization"), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and change in net assets, functional expenses 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*

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 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, 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.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Twelfth Step Ministry, Inc. as of December 31, 2012, 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.

Dallas, Texas  
August 21, 2013

The Twelfth Step Ministry, Inc.  
STATEMENT OF FINANCIAL POSITION  
December 31, 2012

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 94,735
Due from Lovers Lane United Methodist Church	<u>3,464</u>
Total current assets	<u>98,199</u>

TOTAL ASSETS

\$ 98,199

LIABILITIES AND NET ASSETS

NET ASSETS

Unrestricted	\$ <u>98,199</u>
	<u>98,199</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 98,199

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

The Twelfth Step Ministry, Inc.  
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
For the Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUES</b>			
Contributions	\$ 43,631	\$ -	\$ 43,631
Rental fees	53,114	-	53,114
Special event	49,797	-	49,797
Less: direct expenses	(9,596)	-	(9,596)
Net special events	40,201	-	40,201
Seminars	1,941	-	1,941
Counseling income	24,945	-	24,945
Other	1,160	-	1,160
Net assets released from restrictions	2,267	(2,267)	-
Total support and revenues	167,259	(2,267)	164,992
<b>EXPENSES</b>			
Program services	126,981	-	126,981
General and administrative	5,825	-	5,825
Fundraising	14,479	-	14,479
Total expenses	147,285	-	147,285
Change in net assets	19,974	(2,267)	17,707
NET ASSETS at beginning of year	78,225	2,267	80,492
NET ASSETS at end of year	\$ 98,199	\$ -	\$ 98,199

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

The Twelfth Step Ministry, Inc.  
STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2012

Increase (decrease) in cash and cash equivalents	
Cash flows from operating activities	
Change in net assets	\$ 17,707
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Due from Lovers Lane United Methodist Church	16,690
Accounts receivable	24
Net cash provided by operating activities	<u>34,421</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	34,421
Cash at beginning of year	<u>60,314</u>
Cash at end of year	<u>\$ 94,735</u>

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

The Twelfth Step Ministry, Inc.  
 STATEMENT OF FUNCTIONAL EXPENSES  
 For the Year Ended September 30, 2012

	Supporting Services			Total
	Program	Fundraising	Management and General	
Salaries and benefits	\$ 66,509	-	-	\$ 66,509
Rent and administrative services	34,500	-	-	34,500
Vehicle expense	1,715	-	497	2,212
Telephone	1,757	-	-	1,757
Office expense	1,070	-	11,202	12,272
Auditing and accounting	-	-	2,250	2,250
Dues and licenses	955	-	-	955
Conference and education	1,691	-	-	1,691
Counseling expense	15,395	-	-	15,395
Insurance	-	-	122	122
Travel	3,389	-	-	3,389
Marketing and advertisement	-	5,825	-	5,825
Other	-	-	408	408
	<u>\$ 126,981</u>	<u>\$ 5,825</u>	<u>\$ 14,479</u>	<u>\$ 20,304</u>
	<u>\$ 126,981</u>	<u>\$ 5,825</u>	<u>\$ 14,479</u>	<u>\$ 147,285</u>

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

The Twelfth Step Ministry, Inc.  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

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. A majority of the Board of Directors for the Organization is appointed by the Board of Directors for Lovers Lane United Methodist Church (the "Church").

The Organization'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 Organization's Center for Spiritual Development.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

For reporting purposes, resources are classified into three net asset categories according to 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. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that may or will be met either 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. Contributions received with donor imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class. There were no temporarily restricted net assets at December 31, 2012.

Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Organization. There were no permanently restricted net assets at December 31, 2012.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and all highly liquid investments purchased with an initial maturity of three months or less. The FDIC deposit insurance insures deposits up to \$250,000 per deposit. The Organization maintains cash balances at financial institutions in Dallas, Texas, which at times may exceed federally insured limits. There were no uninsured balances at December 31, 2012.

Fair Value of Financial Instruments

The Organization evaluates the fair value of its financial instruments based on the current interest rate environment and current pricing of debt instruments from comparable terms. The carrying values of financial instruments are considered to approximate fair value.

The Twelfth Step Ministry, Inc.  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment

Property, plant and equipment are recorded at cost and depreciated over their estimated useful lives on a straight-line basis. Contributed assets are recorded at fair value.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are made.

Donated Goods and Services

The Organization records the estimated value of donated goods and services at the time of receipt when there is an objective basis available to measure their value. The Organization receives a substantial amount of services donated by individuals in carrying out the Organization's mission. In accordance with ASC 958-605 *Not-for-Profit Entities – Revenue Recognition*, the value of the contributed time is not reflected in the accompanying financial statements, because it is not susceptible to objective measurement or valuation.

Counseling

Participants in the counseling program are charged a fee at each session. This fee is recorded as counseling income at the time of billing.

Functional Allocation of Expenses

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statements of activities for the year ended December 31, 2012. Accordingly, certain costs have been allocated among the programs and services benefited.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

The Organization has concluded that it does not have any unrecognized tax benefits resulting from the current or prior period tax positions. Accordingly, no additional disclosures have been made on the financial statements regarding ASC 740, *Income Taxes*. The Organization does not have any outstanding interest or penalties, and none have been recorded in the statement of activities and change in net assets for the year ended December 31, 2012.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

The Twelfth Step Ministry, Inc.  
NOTES TO FINANCIAL STATEMENTS

2. RELATED PARTY

The Church provides administrative services, including but not limited to: financial reporting, human resources, information systems, facilities, insurance, communications services and legal support. The Organization reimburses the Church for use of space and for administrative services. For the year ended December 31, 2012, the Organization reimbursed the Church \$34,500 for the use of space and for administrative services.

The Organization also maintains cash balances which are comingled with the Church. The Church processes cash receipts and disbursements for the Organization and reflects the Organizations cash as restricted. Due from the Church at December 31, 2012 was \$3,464.

3. EMPLOYEE RETIREMENT PLAN

The Organization 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 Organization contributes six percent of eligible employees compensation. For the year ended December 31, 2012, there were no employee benefit contributions.

4. SUBSEQUENT EVENTS

In preparing financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 21, 2013, the date the financial statements were available to be issued.