

African Leadership, Inc.
Financial Statements
December 31, 2006

Table of Contents

Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5

McKerley & Noonan, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors of
African Leadership, Inc.
Nashville, TN

We have audited the accompanying statement of financial position of African Leadership, Inc. (a nonprofit organization) as of December 31, 2006 and the related statements of activities and changes in net assets and cash flows for the year 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 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 misstatements. 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 African Leadership, Inc. as of December 31, 2006, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

McKerley & Noonan

McKerley & Noonan, P.C.
June 18, 2007

African Leadership, Inc.
Statement of Financial Position
December 31, 2006

Assets	
Current Assets	
Cash in Bank	\$ 814,754
Pledged Receivables	14,867
Investments - At Market	306,919
Total Current Assets	<u>\$ 1,136,540</u>
Fixed Assets	
Computers	18,406
Office Furniture and Equipment	3,967
Automobiles	34,790
Less: Accumulated Depreciation	(37,937)
Total Fixed Assets	<u>19,226</u>
Other Assets	
Related Party Receivable	<u>10,400</u>
Total Assets	<u><u>\$ 1,166,166</u></u>
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 38,039
Net Assets	
Unrestricted	173,927
Temporarily Restricted	954,200
Total Net Assets	<u>1,128,127</u>
Total Liabilities and Net Assets	<u><u>\$ 1,166,166</u></u>

African Leadership, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2006

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Contributions	\$ 79,573	\$ 2,413,532	\$ 2,493,105
In-kind Contributions	10,600	-	10,600
Net Investment Income	34,261	-	34,261
Other Income	126	-	126
Net Assets Released from Restrictions	1,986,082	(1,986,082)	-
Total Support and Revenue	2,110,642	427,450	2,538,092
Fundraising Expenses			
Advertising and Marketing	48,096	-	48,096
Printing and Postage	35,715	-	35,715
Payroll and Contract Labor Expenses	83,111	-	83,111
Website	17,369	-	17,369
Other	17,632	-	17,632
Total Fundraising Expenses	201,923	-	201,923
Administrative Expenses			
Automobile	6,922	-	6,922
Depreciation	9,079	-	9,079
Insurance	3,972	-	3,972
Professional Fees	23,566	-	23,566
Rent	9,100	-	9,100
Bank Charges	19,207	-	19,207
Telephone	12,097	-	12,097
Contract Labor	25,533	-	25,533
Payroll Expenses	82,351	-	82,351
Supplies	13,983	-	13,983
Dues and Subscriptions	5,262	-	5,262
Other	25,781	-	25,781
Total Administrative Expenses	236,853	-	236,853
Program Expenses			
Pastor and Project Support	406,427	-	406,427
Travel	279,143	-	279,143
Payroll Expenses	354,820	-	354,820
Project Contributions	383,542	-	383,542
Famine Relief	163,500	-	163,500
Other	2,344	-	2,344
Total Program Expenses	1,589,776	-	1,589,776
Total Expenses	2,028,552	-	2,028,552
Change in Net Assets	82,090	427,450	509,540
Net Assets at Beginning of Year	91,837	526,750	618,587
Net Assets at End of Year	\$ 173,927	\$ 954,200	\$ 1,128,127

African Leadership, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2006

Cash Flows from Operating Activities	
Change in Net Assets	\$ 509,540
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	9,079
Unrealized Gain on Investments	(13,566)
Increase in Pledged Receivables	(14,867)
Decrease in Employee Receivable	1,278
In-kind Contribution of Computer Equipment	(1,500)
Donation of Stock	-
(Increase) Decrease in Related Party Receivable	4,600
Increase (Decrease) in Accounts Payable	503
Total Adjustments	<u>(14,473)</u>
Net Cash Provided by Operating Activities	495,067
Cash Flows from Investing Activities	
Purchase of Investments	(4,184)
Cash Payments for the Purchase of Fixed Assets	(6,050)
Net Cash Used by Investing Activities	<u>(10,234)</u>
Net Increase (Decrease) in Cash	484,833
Cash in Bank Beginning of Year	<u>329,921</u>
Cash in Bank End of Year	<u><u>\$ 814,754</u></u>

African Leadership, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2006

Note 1 - Description and Purpose of Organization

African Leadership, Inc. (the Organization) is a Christian education organization that trains African pastors and funds relief and development projects. 100% of the Organization's income comes from donations from individuals, companies, and foundations.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Organization have been prepared on the accrual basis of accounting which means that revenues are recognized when earned and expenses are recorded when incurred. The significant accounting policies of the Organization are described below to enhance the usefulness of the financial statements to the reader.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount 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.

Financial Statement Presentation

For financial statements presentation, the Organization reports its financial information according to three classes of net assets (unrestricted net assets, temporarily restricted net assets and permanently restricted net assets) based on the existence or absence of donor-imposed restrictions.

Unrestricted Net Assets

Unrestricted net assets are donations that are not subject to donor-imposed stipulations. Monies received without restriction or released from restriction are generally used to finance the normal day-to-day operations of the Organization.

Temporarily Restricted Net Assets

Temporarily restricted net assets are donations that are 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. At December 31, 2006 temporarily restricted net assets of \$954,200 represent funds subject to numerous donor-imposed restrictions.

African Leadership, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2006

Note 2 - Summary of Significant Accounting Policies (continued)

Permanently Restricted Net Assets

Permanently restricted net assets are donations subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. As of December 31, 2006, there were no permanently restricted net assets.

Pledged Receivables

The Organization held a fundraiser in November 2006 and received several pledges that as of December 31, 2006, had not been fulfilled. Management believes all pledges are fully collectible.

Investments

The Organization opened a brokerage account with UBS Financial Services in order to receive stock gifts from donors. The Organization's policy on stock gifts is to liquidate the stock as soon as the stock is received. Funds in this account have been invested primarily in a GNMA bond and money market account. The investments in the brokerage account are recorded at fair market value, with realized and unrealized gains/losses recorded as investment income in the statement of activities. The year-end balance of the account consisted of the following:

GNMA Bond	130.
Money Market Fund	176.
Total	<u>\$ 306.</u>

Fixed Assets

Fixed assets are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. Significant additions and betterments are capitalized. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred.

Income Taxes

The Organization is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and therefore, no provision for federal or state income taxes is applicable.

African Leadership, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2006

Note 3 – Credit Risk

The Organization maintains at various times cash balances in excess of \$100,000 in high credit quality banks, which are insured by the Federal Deposit Insurance Corporation up to \$100,000. The investments in the UBS Financial Services account are carried at fair value, which are subject to market fluctuations.

Note 4 – In-Kind Contributions

The Organization occupies at no cost approximately 650 square feet of office space in a building owned by Christ Community Church. The market value of this space is estimated at \$14 a square foot based on prevailing lease rates or \$9,100 annually. The \$9,100 in-kind contribution has been recorded in the statement of activities as in-kind contribution revenue and rent expense.

In addition, the organization received a contribution of computer equipment. The estimated value of the equipment was \$1,500 and has been recorded as in-kind contributions and fixed assets.

Note 5 – Retirement Plan

The Organization has adopted a defined contribution 403(b) retirement plan for all eligible employees who have elected salary deferral. The Organization made no contributions to the plan for the year ended December 31, 2006.

Note 6 – Related Party Receivable

The Organization loaned \$15,000 to a relative of an employee of the Organization. The loan is interest free, and is to be repaid with monthly payments of \$473 not to exceed three years. Management believes the loan is fully collectible, and as a result, no allowance for bad debt has been recorded in these financial statements.

Note 7 – Commitments

The Organization has entered into an agreement with Bible Training Centre for Pastors (BTCP) to provide training manuals at \$2.50 per manual. The Organization has agreed to buy 40,000 manuals in 2007.

The Organization has also entered into letters of agreement with various musical artists to promote the “Mocha Club” fundraising campaign. For each donor who signs up for credit card donations, the Organization has agreed to pay the artist \$12. The Organization paid a total of \$13,315 related to these letters of agreement during 2006.