

African Leadership, Inc.
Financial Statements
December 31, 2004

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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, 2004 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, 2004, 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.
August 3, 2005

African Leadership, Inc.
Statement of Financial Position
December 31, 2004

Assets

Current Assets	
Cash in Bank	\$ 277,201
Employee Receivable	1,279
Investments - At Market	<u>365,589</u>
Total Current Assets	\$ 644,069
 Fixed Assets	
Computers	15,892
Office Furniture	2,017
Automobiles	36,630
Less: Accumulated Depreciation	<u>(22,305)</u>
Total Fixed Assets	<u><u>32,234</u></u>
 Total Assets	 <u><u>\$ 676,303</u></u>

Liabilities and Net Assets

Current Liabilities	
Accounts Payable	\$ 16,743
 Net Assets	
Unrestricted	127,433
Temporarily Restricted	<u>532,127</u>
Total Net Assets	<u><u>659,560</u></u>
 Total Liabilities and Net Assets	 <u><u>\$ 676,303</u></u>

African Leadership, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2004

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Contributions	\$ 55,856	\$ 1,313,784	\$ 1,369,640
In-kind Contributions	284,081	-	284,081
Net Investment Income	3,474	-	3,474
Net Assets Released from Restrictions	1,275,809	(1,275,809)	-
Total Support and Revenue	<u>1,619,220</u>	<u>37,975</u>	<u>1,657,195</u>
Fundraising Expenses			
Advertising and Marketing	1,292	-	1,292
Printing and Postage	30,338	-	30,338
Payroll Expenses	13,484	-	13,484
Other	21,451	-	21,451
Total Fundraising Expenses	<u>66,565</u>	<u>-</u>	<u>66,565</u>
Administrative Expenses			
Automobile	28,631	-	28,631
Depreciation	11,145	-	11,145
Insurance	12,715	-	12,715
Professional Fees	21,485	-	21,485
Rent	14,100	-	14,100
Bank Charges	8,634	-	8,634
Telephone	17,672	-	17,672
Contract Labor	3,088	-	3,088
Payroll Expenses	47,591	-	47,591
Supplies	19,100	-	19,100
Dues and Subscriptions	5,758	-	5,758
Gifts	7,876	-	7,876
Repairs	5,728	-	5,728
Other	12,566	-	12,566
Total Administrative Expenses	<u>216,089</u>	<u>-</u>	<u>216,089</u>
Program Expenses			
Pastor and Project Support	278,157	-	278,157
Travel	184,360	-	184,360
Payroll Expenses	319,082	-	319,082
Project Contributions	365,162	-	365,162
Famine Relief	168,000	-	168,000
Other	32,305	-	32,305
Total Program Expenses	<u>1,347,066</u>	<u>-</u>	<u>1,347,066</u>
Total Expenses	<u>1,629,720</u>	<u>-</u>	<u>1,629,720</u>
Change in Net Assets	(10,500)	37,975	27,475
Net Assets at Beginning of Year	<u>137,933</u>	<u>494,152</u>	<u>632,085</u>
Net Assets at End of Year	<u>\$ 127,433</u>	<u>\$ 532,127</u>	<u>\$ 659,560</u>

African Leadership, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2004

Cash Flows from Operating Activities	
Change in Net Assets	\$ 27,475
 Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	11,145
Unrealized Loss on Investments	4,353
Donation of Stock	(10,182)
(Increase) Decrease in Employee Receivable	(1,279)
Increase (Decrease) in Accounts Payable	7,778
Total Adjustments	<u>11,815</u>
 Net Cash Provided by Operating Activities	 39,290
 Cash Flows from Investing Activities	
Purchase of Investments	(67,827)
Proceeds from Sale of Investments	48,682
Cash Payments for the Purchase of Fixed Assets	(22,767)
Net Cash Used by Investing Activities	<u>(41,912)</u>
 Net Increase (Decrease) in Cash	 (2,622)
 Cash in Bank Beginning of Year	 <u>279,823</u>
 Cash in Bank End of Year	 <u><u>\$ 277,201</u></u>

African Leadership, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2004

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, 2004 temporarily restricted net assets of \$532,127 represent funds subject to numerous donor-imposed restrictions.

African Leadership, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2004

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, 2004, there were no permanently restricted net assets.

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 bond mutual fund. 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	36,333
Bond Fund	304,957
Money Market Fund	24,299
Total	<u>\$ 365,589</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.

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.

African Leadership, Inc.
Notes to Financial Statements
For the Year Ended December 31, 2004

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 contributions of computer equipment and automobiles from separate individuals that were then donated to local refugees that had relocated from Africa to the middle Tennessee area. The estimated values of these donations are \$34,081 and have been recorded as in-kind contributions and program expense.

The Organization purchased a home from a donor below market and immediately sold the home to a missionary for the purchase price. The Organization has recorded an in-kind contribution and program expense for \$70,000, which is the estimated amount the home's market value exceeded the purchase price.

Also, the Organization has partnered with Bible Training Centre for Pastors (BTCP), a separate 501(c)(3) organization, to utilize BTCP's curriculum in its pastor training program. The Organization receives NIV Study Bibles and curriculum manuals at no cost from BTCP. The Organization has recorded an in-kind contribution and program expense of \$180,000 for the estimated value of these bibles and manuals utilized during 2004.

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, 2004.