

AFRICAN LEADERSHIP, INC.

FINANCIAL STATEMENTS

***As of and for the Years Ended December 31, 2017
and 2016***

And Report of Independent Auditor

AFRICAN LEADERSHIP, INC.
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Report of Independent Auditor

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

We have audited the accompanying financial statements of African Leadership, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities 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 African Leadership, Inc. as of December 31, 2017, 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.

Prior Period Financial Statements

The financial statements as of December 31, 2016 were audited by other auditors whose report dated June 30, 2017 expressed an unmodified opinion on those statements.



Nashville, Tennessee
July 9, 2018

AFRICAN LEADERSHIP, INC.
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 371,332	\$ 236,309
Account receivable	-	54,600
Inventory	-	6,993
Other assets	12,100	2,989
Total Current Assets	<u>383,432</u>	<u>300,891</u>
Fixed Assets:		
Computers	-	20,251
Office furniture and equipment	4,477	13,165
Accumulated depreciation	(3,357)	(21,675)
Total Fixed Assets	<u>1,120</u>	<u>11,741</u>
Total Assets	<u><u>\$ 384,552</u></u>	<u><u>\$ 312,632</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,432	\$ 24,983
Total Liabilities	<u>3,432</u>	<u>24,983</u>
Net Assets:		
Unrestricted	(30,573)	(222,683)
Temporarily restricted	411,693	510,332
Total Net Assets	<u>381,120</u>	<u>287,649</u>
Total Liabilities and Net Assets	<u><u>\$ 384,552</u></u>	<u><u>\$ 312,632</u></u>

AFRICAN LEADERSHIP, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Total
Revenue and Other Support:			
Contributions	\$ 695,434	\$ 707,598	\$ 1,403,032
Event registrations and sales	55,844	-	55,844
In-kind contributions	8,962	-	8,962
Merchandise sales	2,620	-	2,620
Other	778	-	778
Loss on disposal of fixed assets	(5,635)	-	(5,635)
Net assets released from restrictions	806,237	(806,237)	-
Total Revenue and Other Support	1,564,240	(98,639)	1,465,601
Expenses:			
Program Services:			
Pastor and project support	551,354	-	551,354
Payroll expenses	299,164	-	299,164
Program administration expenses	13,734	-	13,734
Total Program Services	864,252	-	864,252
Administrative Services:			
Payroll expenses	104,677	-	104,677
Rent	52,196	-	52,196
Professional fees	40,669	-	40,669
Insurance	39,661	-	39,661
Bank and credit card charges	25,567	-	25,567
Other	13,743	-	13,743
Communications	5,484	-	5,484
Depreciation	4,986	-	4,986
Supplies	3,355	-	3,355
Total Administrative Services	290,338	-	290,338
Fundraising Services:			
Payroll and contract labor expenses	65,572	-	65,572
Event expense	66,871	-	66,871
Professional fees	53,352	-	53,352
Other	16,269	-	16,269
Advertising and marketing	13,933	-	13,933
Travel	1,543	-	1,543
Total Fundraising Services	217,540	-	217,540
Total Expenses	1,372,130	-	1,372,130
Change in net assets	192,110	(98,639)	93,471
Net assets, beginning of year	(222,683)	510,332	287,649
Net assets, end of year	\$ (30,573)	\$ 411,693	\$ 381,120

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

AFRICAN LEADERSHIP, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue and Other Support:			
Contributions	\$ 780,241	\$ 706,073	\$ 1,486,314
Event registrations	38,551	-	38,551
Merchandise sales	5,258	-	5,258
Other	6,442	-	6,442
Loss on disposal of fixed assets	(1,676)	-	(1,676)
Net assets released from restrictions	823,425	(823,425)	-
Total Revenue and Other Support	1,652,241	(117,352)	1,534,889
Expenses:			
Program Services:			
Pastor and project support	574,933	-	574,933
Payroll expenses	400,675	-	400,675
Program administration expenses	80,317	-	80,317
Cost of goods sold	68	-	68
Total Program Services	1,055,993	-	1,055,993
Administrative Services:			
Payroll expenses	129,886	-	129,886
Rent	53,139	-	53,139
Insurance	48,506	-	48,506
Professional fees	47,237	-	47,237
Bank and credit card charges	30,733	-	30,733
Other	18,241	-	18,241
Communications	6,908	-	6,908
Depreciation	5,396	-	5,396
Supplies	5,205	-	5,205
Total Administrative Services	345,251	-	345,251
Fundraising Services:			
Payroll and contract labor expenses	112,669	-	112,669
Professional fees	63,375	-	63,375
Event expense	60,944	-	60,944
Advertising and marketing	8,576	-	8,576
Other	4,550	-	4,550
Travel	728	-	728
Total Fundraising Services	250,842	-	250,842
Total Expenses	1,652,086	-	1,652,086
Change in net assets	155	(117,352)	(117,197)
Net assets, beginning of year	(222,838)	627,684	404,846
Net assets, end of year	\$ (222,683)	\$ 510,332	\$ 287,649

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

AFRICAN LEADERSHIP, INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 93,471	\$ (117,197)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,986	5,396
Loss on disposal of fixed assets	5,635	1,676
Change in operating assets and liabilities:		
Accounts receivable	54,600	(54,600)
Inventory	6,993	68
Other assets	(9,111)	-
Accounts payable and accrued expenses	(21,551)	9,111
Net cash provided by (used in) operating activities	<u>135,023</u>	<u>(155,546)</u>
Net increase (decrease) in cash and cash equivalents	135,023	(155,546)
Cash and cash equivalents, beginning of year	236,309	391,855
Cash and cash equivalents, end of year	<u>\$ 371,332</u>	<u>\$ 236,309</u>

AFRICAN LEADERSHIP, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 1—Description and purpose of organization

African Leadership, Inc. (the “Organization”) invests in Africa’s servant leaders so that every African can discover common ground with the Gospel by providing local leaders with a seminary-style theological education, complemented by courses in community development and trauma-healing. African Leadership prepares them for a range of complex issues they will face as the African church body.

Note 2—Summary of significant accounting policies

Basis of Presentation - 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. Net assets and revenues, expenses, gains and losses 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 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 statements of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets 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 related investments for general or specific purposes. The Organization had no permanently restricted net assets as of December 31, 2017 and 2016.

Inventory - Inventories are stated at the lower of cost or market. Cost is determined by the first in, first out method.

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 and repairs are charged to expense as incurred.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Cash contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Income Taxes - The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

AFRICAN LEADERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 2—Summary of significant accounting policies (continued)

The Organization follows Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) guidance related to unrecognized tax benefits that clarifies the accounting for uncertainty in income taxes recognized in an organization’s financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Organization had no uncertain tax positions at December 31, 2017 or 2016. The Organization has no tax penalties or interest reported in the accompanying financial statements.

Advertising and Marketing Costs - Advertising and marketing costs are charged to expense as incurred. Advertising and marketing expense totaled \$13,933 and \$8,576 for the years ended December 31, 2017 and 2016, respectively.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Donated Goods and Services - Donated goods and services are recognized at the fair value of items received at the time of donation. The Organization also receives volunteer services from a number of individuals in carrying out its programs. The value of contributed time is not reflected in these statements, since it does not meet the recording requirements specified by accounting principles generally accepted in the United States of America.

Concentration of Credit Risk - The Organization occasionally maintains cash at financial institutions in excess of the federally insured amount. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk related to its cash held at financial institutions.

Subsequent Events - The Organization has evaluated subsequent events through July 9, 2018, when these financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

AFRICAN LEADERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 3—Temporarily restricted net assets

Temporarily restricted net assets are restricted for the following purposes at December 31:

	2017	2016
Common Ground Academy - Country initiatives	\$ 157,541	\$ 198,156
Common Grounds - Grant	100,170	231,143
Other	87,758	52,301
Common Ground - Program initiatives	66,224	28,732
	<u>\$ 411,693</u>	<u>\$ 510,332</u>

Note 4—Commitments

The Organization annually enters 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 a fee. The Organization paid a total of \$6,410 and \$3,245 related to these letters of agreement during 2017 and 2016, respectively.

The Organization leases certain office space and equipment under noncancellable operating leases that expire in February 2018. Future minimum lease payments under noncancellable leases are as follows:

Years Ending December 31,

2018	\$ 43,850
2019	8,640
2020	-
2021	-
2022	-
	<u>\$ 52,490</u>

Rental expense for the years ended December 31, 2017 and 2016 totaled \$52,196 and \$53,139, respectively.

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 contributions to the plan totaling \$6,835 and \$14,775 for the years ended December 31, 2017 and 2016, respectively.