

AFRICAN LEADERSHIP, INC.

FINANCIAL STATEMENTS

December 31, 2011

AFRICAN LEADERSHIP, INC.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of African Leadership, Inc. (a nonprofit organization) as of December 31, 2011, and the related statements of activities 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 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 African Leadership, Inc. as of December 31, 2011, 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.

Frasier Dean & Howard, PLLC

June 28, 2012

AFRICAN LEADERSHIP, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2011

Assets	
Current assets:	
Cash in bank	\$ 479,252
Inventory	23,128
Investments - at market	<u>665,311</u>
Total current assets	<u>1,167,691</u>
Fixed assets:	
Computers	25,355
Office furniture and equipment	25,946
Automobiles	67,224
Accumulated depreciation	<u>(82,566)</u>
Total fixed assets	<u>35,959</u>
Total assets	<u><u>\$ 1,203,650</u></u>
Liabilities and Net Assets	
Current liabilities:	
Accounts payable and accrued expenses	<u>\$ 32,150</u>
Total current liabilities	32,150
Note payable	<u>10,000</u>
Total liabilities	<u>42,150</u>
Net assets:	
Unrestricted	1,678
Temporarily restricted	<u>1,159,822</u>
Total net assets	<u>1,161,500</u>
Total liabilities and net assets	<u><u>\$ 1,203,650</u></u>

See accompanying notes.

AFRICAN LEADERSHIP, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and other support:			
Contributions	\$ 1,296,154	\$ 1,055,267	\$ 2,351,421
In-kind contribution	-	807,697	807,697
Merchandise sales	224,234	-	224,234
Investment income	40,349	-	40,349
Net assets released from restrictions	2,146,165	(2,146,165)	-
Total revenue and other support	<u>3,706,902</u>	<u>(283,201)</u>	<u>3,423,701</u>
Expenses:			
Program services:			
Project contributions	585,166	-	585,166
In-kind project contribution	807,697	-	807,697
Payroll expenses	475,668	-	475,668
Pastor and project support	377,492	-	377,492
Travel	177,673	-	177,673
Other	50,556	-	50,556
Cost of goods sold	89,928	-	89,928
Total program services	<u>2,564,180</u>	<u>-</u>	<u>2,564,180</u>
Administrative services:			
Payroll expenses	215,960	-	215,960
Professional fees	98,145	-	98,145
Insurance	51,471	-	51,471
Bank and credit card charges	56,943	-	56,943
Other	68,248	-	68,248
Rent	38,225	-	38,225
Telephone	25,065	-	25,065
Depreciation	19,843	-	19,843
Supplies	14,505	-	14,505
Automobile	16,574	-	16,574
Contract labor	15,425	-	15,425
Total administrative services	<u>620,404</u>	<u>-</u>	<u>620,404</u>
Fundraising services:			
Payroll and contract labor expenses	231,789	-	231,789
Advertising and marketing	107,628	-	107,628
Event expense	28,646	-	28,646
Other	26,880	-	26,880
Website	17,398	-	17,398
Printing and postage	26,046	-	26,046
Total fundraising services	<u>438,387</u>	<u>-</u>	<u>438,387</u>
Total expenses	<u>3,622,971</u>	<u>-</u>	<u>3,622,971</u>
Change in net assets	83,931	(283,201)	(199,270)
Net assets – beginning of year	<u>(82,253)</u>	<u>1,443,023</u>	<u>1,360,770</u>
Net assets – end of year	<u>\$ 1,678</u>	<u>\$ 1,159,822</u>	<u>\$ 1,161,500</u>

See accompanying notes.

AFRICAN LEADERSHIP, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2011

Cash flows from operating activities:	
Change in net assets	\$ (199,270)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	19,843
Loss on disposal of fixed assets	2,684
Net realized and unrealized gain on investments	(7,303)
Change in operating assets and liabilities:	
Pledge receivables	1,000
Inventory	3,188
Accounts payable and accrued expenses	<u>(36,486)</u>
Net cash used in operating activities	<u>(216,344)</u>
Cash flows from investing activities:	
Purchase of fixed assets	(4,599)
Purchase of investments	(61,688)
Proceeds from sale of investments	<u>130,485</u>
Net cash provided by investing activities	<u>64,198</u>
Cash flows from financing activities:	
Payments on note payable	<u>(20,000)</u>
Net cash used in financing activities	<u>(20,000)</u>
Net decrease in cash in bank	(172,146)
Cash in bank – beginning of year	<u>651,398</u>
Cash in bank – end of year	<u><u>\$ 479,252</u></u>

See accompanying notes.

AFRICAN LEADERSHIP, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

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. The Organization is primarily funded by donations from individuals, charities, and other organizations.

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 statement 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, 2011.

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.

AFRICAN LEADERSHIP, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. 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.

The Organization has adopted 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 has no tax penalties or interest reported in the accompanying financial statements. Tax years prior to the year ended December 31, 2008 are closed to examination.

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 that do not meet the criteria for recognition in the financial statements.

AFRICAN LEADERSHIP, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk

The Organization generally 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 June 28, 2012, when these financial statements were available to be issued. Management 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.

NOTE 3 – FAIR VALUE MEASUREMENTS AND INVESTMENTS

The Organization has adopted the fair value measurement topic of the FASB ASC, which establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 Inputs to the valuation methodology include the following:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

AFRICAN LEADERSHIP, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2011

NOTE 3 – FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. A description of the valuation methodologies used for assets measured at fair value is as follows:

Cash investments: Valued at the balance held by the Organization at year end.

Bond funds and fixed income securities: Valued at quoted prices of ownership units held by the Organization at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The basis of fair value measurement for investments consists of the following at December 31, 2011:

	Quoted Prices in Active Markets for Identical Items (Level 1)
Cash investments	\$ 63,639
Bond funds and fixed income securities	<u>601,672</u>
	<u><u>\$ 665,311</u></u>

The following schedule summarizes the investment income as reported in the statement of activities for the year ended December 31, 2011:

Interest and dividends	\$ 33,046
Unrealized and realized gain on investments	<u>7,303</u>
Investment income	<u><u>\$ 40,349</u></u>

AFRICAN LEADERSHIP, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2011

NOTE 4 – NOTE PAYABLE

Note payable consists of the following at December 31, 2011:

In September 2010, the Organization entered into an unsecured promissory note agreement with a related party (board member) for \$10,000. Under the terms of the agreement, the Organization is to pay interest only at a fixed rate of 4%. Interest payments are due annually until the maturity date of September 15, 2013 at which time the note and any accrued interest is to be paid in full.

\$ 10,000

Scheduled principal requirement on note payable is as follows:

Years Ending
December 31,

2012	\$ -
2013	<u>10,000</u>
	<u>\$ 10,000</u>

NOTE 5 – IN-KIND CONTRIBUTIONS AND EXPENSES

During 2011, the Organization received in-kind medical supplies which were shipped to Africa. In-kind contribution revenue and in-kind program expenses totaled \$807,697 for 2011.

NOTE 6 – COMMITMENTS

The Organization has 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 a fee. The Organization paid a total of \$50,260 related to these letters of agreement during 2011.

The Organization leases certain office space under a noncancelable operating lease that expires in February 2013. The Organization also leases office equipment under a noncancelable operating lease that expires in May 2015. Future minimum lease payments under noncancelable leases are as follows:

Year Ending
December 31

2012	\$ 33,615
2013	8,015
2014	2,865
2015	<u>1,194</u>
	<u>\$ 45,689</u>

AFRICAN LEADERSHIP, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2011

NOTE 6 – COMMITMENTS (Continued)

Rental expense for the year ended December 31, 2011 totaled \$38,225.

NOTE 7 – 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, 2011.