

**AFRICAN LEADERSHIP, INC.**

**FINANCIAL STATEMENTS**

**December 31, 2016 and 2015**

**AFRICAN LEADERSHIP, INC.**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of African Leadership, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Frasin, Dean + Howard, PLLC*

Nashville, Tennessee  
June 30, 2017

**AFRICAN LEADERSHIP, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2016 and 2015**

	<b>Assets</b>	<b>2016</b>	<b>2015</b>
Current assets:			
Cash and cash equivalents		\$ 236,309	\$ 391,855
Account receivable		54,600	-
Inventory		6,993	7,061
Other assets		2,989	2,989
		<u>300,891</u>	<u>401,905</u>
Total current assets			
Fixed assets:			
Computers		20,251	46,085
Office furniture and equipment		13,165	33,458
Accumulated depreciation		(21,675)	(60,730)
		<u>11,741</u>	<u>18,813</u>
Total fixed assets			
Total assets		<u><u>\$ 312,632</u></u>	<u><u>\$ 420,718</u></u>
<b>Liabilities and Net Assets</b>			
Liabilities:			
Accounts payable and accrued expenses		\$ 24,983	\$ 15,872
		<u>24,983</u>	<u>15,872</u>
Total liabilities			
Net assets:			
Unrestricted		(222,683)	(222,838)
Temporarily restricted		510,332	627,684
		<u>287,649</u>	<u>404,846</u>
Total net assets			
Total liabilities and net assets		<u><u>\$ 312,632</u></u>	<u><u>\$ 420,718</u></u>

See accompanying notes.

**AFRICAN LEADERSHIP, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2016**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
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	<u>1,652,241</u>	<u>(117,352)</u>	<u>1,534,889</u>
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	<u>1,055,993</u>	<u>-</u>	<u>1,055,993</u>
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	<u>345,251</u>	<u>-</u>	<u>345,251</u>
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	<u>250,842</u>	<u>-</u>	<u>250,842</u>
Total expenses	<u>1,652,086</u>	<u>-</u>	<u>1,652,086</u>
Change in net assets	155	(117,352)	(117,197)
Net assets – beginning of year	<u>(222,838)</u>	<u>627,684</u>	<u>404,846</u>
Net assets – end of year	<u>\$ (222,683)</u>	<u>\$ 510,332</u>	<u>\$ 287,649</u>

See accompanying notes.

**AFRICAN LEADERSHIP, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2015**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Revenue and other support:			
Contributions	\$ 1,046,936	\$ 1,241,491	\$ 2,288,427
In-kind contribution	915	1,032,576	1,033,491
Event registrations	15,307	-	15,307
Merchandise sales	7,370	-	7,370
Net investment income	(533)	-	(533)
Net assets released from restrictions	2,138,078	(2,138,078)	-
Total revenue and other support	3,208,073	135,989	3,344,062
Expenses:			
Program services:			
In-kind project contribution	1,032,576	-	1,032,576
Pastor and project support	919,013	-	919,013
Payroll expenses	546,628	-	546,628
Program administration expenses	186,636	-	186,636
Cost of goods sold	1,981	-	1,981
Total program services	2,686,834	-	2,686,834
Administrative services:			
Payroll expenses	145,897	-	145,897
Insurance	51,009	-	51,009
Professional fees	43,466	-	43,466
Bank and credit card charges	30,521	-	30,521
Rent	29,548	-	29,548
Communications	7,630	-	7,630
Depreciation	7,569	-	7,569
Other	7,465	-	7,465
Supplies	6,512	-	6,512
Total administrative services	329,617	-	329,617
Fundraising services:			
Payroll and contract labor expenses	149,261	-	149,261
Advertising and marketing	75,314	-	75,314
Event expense	71,243	-	71,243
Professional fees	29,359	-	29,359
Other	14,499	-	14,499
Travel	6,116	-	6,116
Total fundraising services	345,792	-	345,792
Total expenses	3,362,243	-	3,362,243
Change in net assets	(154,170)	135,989	(18,181)
Net assets – beginning of year	(68,668)	491,695	423,027
Net assets – end of year	\$ (222,838)	\$ 627,684	\$ 404,846

See accompanying notes.

**AFRICAN LEADERSHIP, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (117,197)	\$ (18,181)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	5,396	7,569
Loss on disposal of fixed assets	1,676	-
Net realized and unrealized loss on investments	-	533
Change in operating assets and liabilities:		
Accounts receivable	(54,600)	-
Inventory	68	13,084
Other assets	-	13,885
Accounts payable and accrued expenses	9,111	(37,967)
Net cash used in operating activities	<u>(155,546)</u>	<u>(21,077)</u>
Cash flows from investing activities:		
Purchase of fixed assets	-	(2,405)
Purchase of investments	-	(29,216)
Proceeds from sale of investments	<u>-</u>	<u>119,649</u>
Net cash provided by investing activities	<u>-</u>	<u>88,028</u>
Net (decrease) increase in cash and cash equivalents	(155,546)	66,951
Cash and cash equivalents – beginning of year	<u>391,855</u>	<u>324,904</u>
Cash and cash equivalents – end of year	<u><u>\$ 236,309</u></u>	<u><u>\$ 391,855</u></u>

See accompanying notes.



**AFRICAN LEADERSHIP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016 and 2015**

**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, 2016 and 2015.

**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, 2016 and 2015**

**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. 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.

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, 2015 or 2014. 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 \$8,576 and \$101,401 for the years ended December 31, 2016 and 2015, 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.

**AFRICAN LEADERSHIP, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2016 and 2015**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 June 30, 2017, 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.

**NOTE 3 – IN-KIND CONTRIBUTIONS AND EXPENSES**

During 2015, the Organization received an in-kind contribution of Bibles, which were shipped to Africa. In-kind contribution revenue and expense totaled \$1,032,576 (Bibles) for 2015.

**NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2016</u>	<u>2015</u>
Common Ground - Grants	\$ 231,143	\$ 225,736
Common Ground Academy - Country initiatives	198,156	293,511
Other	52,301	22,015
Common Ground - Program initiatives	<u>28,732</u>	<u>86,422</u>
	<u>\$ 510,332</u>	<u>\$ 627,684</u>

**AFRICAN LEADERSHIP, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2016 and 2015**

**NOTE 5 – 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 \$3,245 and \$77,245 related to these letters of agreement during 2016 and 2015, respectively.

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

<u>Years Ending</u> <u>December 31,</u>	
2017	\$ 55,791
2018	9,341
2019	-
2020	-
2021	<u>-</u>
	<u>\$ 65,132</u>

Rental expense for the years ended December 31, 2016 and 2015 totaled \$53,139 and \$54,464, respectively.

**NOTE 6 – 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 \$14,775 and \$26,257 for the years ended December 31, 2016 and 2015, respectively.