

AFRICAN LEADERSHIP, INC.

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2019 and 2018

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. (the “Organization”) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, 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 audits 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 the Organization, as of December 31, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the Organization has liquidity issues relating to a negative change in assets for the year ended December 31, 2019 and from a material employee theft that occurred subsequent to December 31, 2019 but before the issuance of this report. Management is taking action to rectify this matter.

Emphasis of Matter

As more fully described in Note 8 to the financial statements, the Organization has been impacted by the outbreak of the novel coronavirus (COVID-19), which was declared a global pandemic by the World Health Organization in March 2020. Our conclusion is not modified with respect to this matter.



Nashville, Tennessee
January 23, 2021

AFRICAN LEADERSHIP, INC.
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 367,192	\$ 491,949
Pledge receivable	10,000	-
Other assets	8,748	8,906
Total Assets	\$ 385,940	\$ 500,855
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 28,076	\$ 4,339
Total Liabilities	28,076	4,339
Net Assets:		
Without donor restrictions	(60,373)	102,999
With donor restrictions	418,237	393,517
Total Net Assets	357,864	496,516
Total Liabilities and Net Assets	\$ 385,940	\$ 500,855

AFRICAN LEADERSHIP, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support:			
Contributions	\$ 535,813	\$ 687,285	\$ 1,223,098
Event registrations and sales	76,415	-	76,415
In-kind contributions	2,175	-	2,175
Merchandise sales	165	-	165
Net assets released from restrictions	662,565	(662,565)	-
Total Revenue and Other Support	1,277,133	24,720	1,301,853
Expenses:			
Program Services:	844,041	-	844,041
Administrative Services:	380,252	-	380,252
Fundraising Services:	216,212	-	216,212
Total Expenses	1,440,505	-	1,440,505
Change in net assets	(163,372)	24,720	(138,652)
Net assets, beginning of year	102,999	393,517	496,516
Net assets, end of year	<u>\$ (60,373)</u>	<u>\$ 418,237</u>	<u>\$ 357,864</u>

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

AFRICAN LEADERSHIP, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support:			
Contributions	\$ 642,549	\$ 778,498	\$ 1,421,047
Event registrations and sales	65,530	-	65,530
In-kind contributions	4,650	-	4,650
Merchandise sales	4,402	-	4,402
Loss on disposal of fixed assets	(1,119)	-	(1,119)
Net assets released from restrictions	796,674	(796,674)	-
Total Revenue and Other Support	1,512,686	(18,176)	1,494,510
Expenses:			
Program Services	927,538	-	927,538
Administrative Services	359,010	-	359,010
Fundraising Services	92,566	-	92,566
Total Expenses	1,379,114	-	1,379,114
Change in net assets	133,572	(18,176)	115,396
Net assets, beginning of year	(30,573)	411,693	381,120
Net assets, end of year	\$ 102,999	\$ 393,517	\$ 496,516

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

AFRICAN LEADERSHIP, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Program Services										Supporting Services			
	DRC	Ethiopia	Malawi	Kenya	Rwanda	Sierra Leone	South Africa	South Sudan	Uganda	Program Administrative	Total Program Services	Management and General	Fundraising	Total
Payroll expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 258,204	\$ 258,204	\$ 196,909	\$ -	\$ 455,113
Operations	46,770	25,866	26,634	-	21,911	16,900	60,000	38,387	24,783	-	261,251	-	-	261,251
Professional fees	-	-	-	-	-	-	-	-	-	-	-	44,724	73,410	118,134
Events	-	-	-	-	-	-	-	-	-	-	-	-	59,042	59,042
Rent	-	-	-	-	-	-	-	-	-	-	-	58,108	-	58,108
Bibles	20,400	19,930	3,211	-	9,000	-	-	-	-	-	52,541	-	-	52,541
Communications	-	-	-	-	-	-	-	-	-	-	-	4,879	46,080	50,959
Teacher development	20,280	10,000	7,481	-	-	8,192	-	650	400	-	47,003	-	-	47,003
Travel	-	-	-	8,877	8,635	-	3,952	-	2,161	7,502	31,127	9,642	4,244	45,013
Insurance	-	-	-	-	-	-	-	-	-	-	-	39,204	-	39,204
New dawn education	-	-	-	36,000	-	-	-	-	-	-	36,000	-	-	36,000
Advertising and marketing	-	-	-	-	-	-	-	-	-	-	-	-	33,212	33,212
Curriculum	12,237	-	7,250	-	8,763	-	-	-	-	-	28,250	-	-	28,250
Nazareth - women at Risk	-	28,000	-	-	-	-	-	-	-	-	28,000	-	-	28,000
Lay trauma	9,240	5,000	445	-	-	2,647	-	-	10,000	-	27,332	-	-	27,332
Action ministry	-	-	-	25,250	-	-	-	-	-	-	25,250	-	-	25,250
Bank and credit card charges	-	-	-	-	-	-	-	-	-	-	-	20,509	-	20,509
Projects	-	5,294	-	-	10,000	-	-	-	-	-	15,294	-	-	15,294
Ministry support	-	-	-	-	-	-	-	-	-	14,970	14,970	-	-	14,970
Board development	400	1,300	-	-	5,200	1,424	-	2,161	640	-	11,125	-	-	11,125
Office supplies	-	-	-	-	-	-	-	-	-	-	-	5,407	-	5,407
Other	-	-	-	-	-	-	-	-	-	3,400	3,400	803	-	4,203
Child trauma	1,673	-	-	-	-	-	-	-	-	-	1,673	-	-	1,673
GOMA flame of love	1,500	-	-	-	-	-	-	-	-	-	1,500	-	-	1,500
Handbook pilot	-	-	-	-	-	-	-	950	-	-	950	-	-	950
Commerce	-	-	-	-	-	-	-	-	-	-	-	-	224	224
Staff development	-	-	-	-	-	-	-	-	-	110	110	67	-	177
New dawn operations	-	-	-	61	-	-	-	-	-	-	61	-	-	61
Total Expenses	\$ 112,500	\$ 95,390	\$ 45,021	\$ 70,188	\$ 63,509	\$ 29,163	\$ 63,952	\$ 42,148	\$ 37,984	\$ 284,186	\$ 844,041	\$ 380,252	\$ 216,212	\$ 1,440,505

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

AFRICAN LEADERSHIP, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services											Supporting Services			
	Burundi	DRC	Ethiopia	Malawi	Kenya	Rwanda	Sierra Leone	South Africa	South Sudan	Uganda	Program Administrative	Total Program Services	Management and General	Fundraising	Total
Payroll expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 240,533	\$ 240,533	\$ 184,214	\$ -	\$ 424,747
Operations	1,860	30,425	27,616	20,211	-	24,805	9,240	70,000	33,967	26,692	197	245,013	-	-	245,013
Projects	-	-	17,985	-	-	58,970	-	-	-	-	-	76,955	-	-	76,955
Travel	-	3,953	-	-	16,997	19,621	-	3,167	-	3,273	4,254	51,265	10,507	7,757	69,529
Professional fees	-	-	-	-	-	-	-	-	-	-	-	-	37,418	17,324	54,742
Events	-	-	-	-	-	-	-	-	-	-	-	-	-	47,516	47,516
Rent	-	-	-	-	-	-	-	-	-	-	-	-	45,554	-	45,554
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	42,035	-	42,035
Bibles	-	11,500	19,805	4,508	-	5,000	-	-	-	-	-	40,813	-	-	40,813
New dawn education	-	-	-	-	40,200	-	-	-	-	-	-	40,200	-	-	40,200
Handbook pilot	-	-	11,995	6,529	-	-	8,131	-	11,940	-	-	38,595	-	-	38,595
Lay trauma	-	13,960	1,851	8,000	-	6,244	-	-	1,722	657	-	32,434	-	-	32,434
Nazareth - women at risk	-	-	28,000	-	-	-	-	-	-	-	-	28,000	-	-	28,000
Bank and credit card charges	-	-	-	-	-	-	-	-	-	-	-	-	25,439	-	25,439
Action school	-	-	-	-	23,495	-	-	-	-	-	-	23,495	-	-	23,495
Action ministry	-	-	-	-	22,127	-	-	-	-	-	-	22,127	-	-	22,127
Child trauma	-	1,800	-	-	-	-	-	-	16,250	-	-	18,050	-	-	18,050
Advertising and marketing	-	-	-	-	-	-	-	-	-	-	-	-	-	16,544	16,544
Ministry support	-	-	-	-	-	-	-	-	-	-	15,000	15,000	-	-	15,000
Teacher development	-	-	10,000	334	-	-	-	-	2,532	-	-	12,866	-	-	12,866
Other	-	-	-	-	-	-	-	-	-	-	8,792	8,792	3,064	-	11,856
GOMA flame of love	-	10,170	-	-	-	-	-	-	-	-	-	10,170	-	-	10,170
Curriculum	-	-	-	8,383	-	-	-	70	-	-	-	8,453	-	-	8,453
Board development	-	300	402	754	-	300	3,123	-	1,800	1,428	-	8,107	-	-	8,107
Communications	-	-	-	-	-	-	-	-	-	-	-	-	4,892	2,343	7,235
Procurement	-	1,386	-	126	-	932	1,800	16	401	1,617	-	6,278	-	-	6,278
Office supplies	-	-	-	-	-	-	-	-	-	-	140	140	3,750	-	3,890
Utilities	-	-	-	-	-	-	-	-	-	-	-	-	1,129	-	1,129
Commerce	-	-	-	-	-	-	-	-	-	-	-	-	-	1,082	1,082
Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	689	-	689
Staff development	-	-	-	-	-	-	-	-	-	-	252	252	319	-	571
Total Expenses	\$ 1,860	\$ 73,494	\$ 117,654	\$ 48,845	\$ 102,819	\$ 115,872	\$ 22,294	\$ 73,253	\$ 68,612	\$ 33,667	\$ 269,168	\$ 927,538	\$ 359,010	\$ 92,566	\$ 1,379,114

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

AFRICAN LEADERSHIP, INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ (138,652)	\$ 115,396
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Loss on disposal of fixed assets	-	1,119
Change in operating assets and liabilities:		
Pledge receivable	(10,000)	-
Other assets	158	3,195
Accounts payable and accrued expenses	23,737	907
Net cash (used in) provided by operating activities	<u>(124,757)</u>	<u>120,617</u>
Net (decrease) increase in cash and cash equivalents	(124,757)	120,617
Cash and cash equivalents, beginning of year	491,949	371,332
Cash and cash equivalents, end of year	<u>\$ 367,192</u>	<u>\$ 491,949</u>

AFRICAN LEADERSHIP, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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 (“U.S. GAAP”). 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:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

Net Assets With Donor Restrictions – Net assets that are subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. None of the Organization’s net assets with donor restrictions are required to be held in perpetuity by the donors at December 31, 2019 and 2018.

Cash and Cash Equivalents – The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash and cash equivalents. There were no cash equivalents as of December 31, 2019 and 2018.

Pledge Receivable – Pledges receivable are reviewed periodically as to their collectability. Based on collection experience and management’s review, no allowance for doubtful accounts is considered necessary at December 31, 2019 and 2018.

Contributions – Contributions received are recorded as “with donor restrictions” or “without donor restrictions” depending on the existence or nature of any donor restrictions.

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.

Advertising and Marketing Costs – Advertising and marketing costs are charged to expense as incurred. Advertising and marketing expense totaled \$33,212 and \$16,544 for the years ended December 31, 2019 and 2018, respectively.

Allocation of Functional Expenses – Expenses that can be directly attributed to a particular function are charged to that function. Expenses that relate to more than one function are allocated among applicable functions on the basis of objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. Expenses that were allocated consist primarily of salary and related expenses which have been allocated based on time and effort.

AFRICAN LEADERSHIP, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 2—Summary of significant accounting policies (continued)

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP 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 U.S. GAAP.

Adoption of New Accounting Pronouncements – In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization adopted ASU 2014-09 in 2019. The adoption of this standard did not have a significant impact on the Organization’s financial statements.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard provides guidance on determining whether a transaction should be accounted for as contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The Organization adopted ASU 2018-08 during 2019. The adoption of this standard did not have a significant impact on the Organization’s financial statements.

Accounting Policy for Future Pronouncement – In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the year ending December 31, 2022. The Organization is currently evaluating the effect of the implementation of this new standard. See Note 5 for the Organization’s operating lease commitment.

Note 3—Liquidity and availability

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of investing in Africa’s servant leaders. As a part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

AFRICAN LEADERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 3—Liquidity and availability (continued)

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31, 2019 and 2018.

	2019	2018
Financial assets at year-end:		
Cash and cash equivalents	\$ 367,192	\$ 491,949
Pledge receivable	10,000	-
Total financial assets	377,192	491,949
Less amounts not available to be used for general expenditures within one year:		
Net assets restricted for specific programs	(418,237)	(393,517)
Financial assets available to meet general expenditures within one year	\$ (41,045)	\$ 98,432

See Note 9 for management's response to the negative financial assets available as of December 31, 2019.

Note 4—Net assets with donor restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31, 2019 and 2018:

	2019	2018
Common Ground Academy - Country initiatives	\$ 174,256	\$ 142,839
Common Grounds - Grant	140,776	136,976
Common Ground - Program initiatives	86,076	10,766
Other	17,129	102,936
	\$ 418,237	\$ 393,517

Note 5—Commitments

The Organization leases certain office space under a noncancelable operating lease that expires in January 2021. Future minimum lease payments under this noncancelable lease are as follows:

Years Ending December 31,

2020	\$ 32,450
2021	2,950
2022	-
2023	-
2024	-
	\$ 35,400

Rental expense for the years ended December 31, 2019 and 2018 totaled \$58,108 and \$45,554, respectively.

AFRICAN LEADERSHIP, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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 \$5,224 and \$7,074 for the years ended December 31, 2019 and 2018, respectively.

Note 7—Concentration

The Organization receives a substantial amount of its support from individuals, churches, and foundations. A significant reduction in the level of contributions, if this were to occur, could have an adverse impact on the Organization's programs and services.

During 2019 and 2018, the Organization received contributions from a single donor that totaled approximately 11% and 12%, respectively, of total revenue and support.

As of December 31, 2019 and 2018, the Organization maintained cash at a financial institution which exceeded the federally insured amount by approximately \$97,000 and \$197,000, respectively. 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.

Note 8—Subsequent events

Subsequent Events – The Organization evaluated subsequent events through January 23, 2021, when the financial statements were available to be issued.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in the financial markets. The coronavirus outbreak and government responses are creating disruption to global supply chains and adversely impacting many industries. The outbreak could have a material adverse impact on the economic and market conditions and trigger a period of global economic shutdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Organization, its performance, and its financial results.

In accordance with Section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), the Organization applied for and received a Paycheck Protection Program loan totaling approximately \$91,000 during May 2020 based on the federal government's payroll formula. Section 1106 of the CARES Act provides for forgiveness of up to the full principal amount of qualifying loans including accrued interest to the extent the Organization incurs certain qualifying expenses and maintains a certain level of average full-time equivalent employees during the measurement period following closing of the loan. Any portion of the loan that is not forgiven has a term of five years with an interest rate of 1%.

AFRICAN LEADERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 9—Liquidity

The Organization had negative unrestricted net assets of \$60,373 as of December 31, 2019 and incurred a negative change in net assets of \$138,652 for the year then ended. Furthermore, the Organization incurred a material employee theft subsequent to December 31, 2019 but before the issuance of this report. Executive management and governance terminated the employee who perpetrated the theft and are in the process of strengthening internal controls in an effort to prevent or detect future employee improprieties. Furthermore, the Organization is pursuing unrestricted contributions and managing expenses to potentially result in positive unrestricted net assets as of December 31, 2021 and positive change in net assets for the year then ended to rectify its liquidity matter.