

AFRICAN LEADERSHIP, INC.

FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 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. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, 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, 2018, 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.

Changes in Financial Statement Presentation

As discussed in Note 2, African Leadership, Inc. adopted Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.



Nashville, Tennessee
July 8, 2019

AFRICAN LEADERSHIP, INC.
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

ASSETS

Current Assets:

Cash and cash equivalents	\$ 491,949
Account receivable	-
Other assets	8,906
Total Current Assets	<u>500,855</u>

Fixed Assets:

Computers	-
Office furniture and equipment	-
Accumulated depreciation	-
Total Fixed Assets	<u>-</u>

Total Assets	\$ 500,855
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LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	\$ 4,339
Total Liabilities	<u>4,339</u>

Net Assets:

Without donor restrictions	102,999
With donor restrictions	393,517
Total Net Assets	<u>496,516</u>
Total Liabilities and Net Assets	\$ 500,855

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
Other	-	-	-
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 this statement.

AFRICAN LEADERSHIP, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services										Supporting Services				
											Program Administrative	Total Program Services	Management and General	Fundraising	Total
	Burundi	DRC	Ethiopia	Malawi	Kenya	Rwanda	Sierra Leone	South Africa	South Sudan	Uganda					
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	<u>\$ 1,860</u>	<u>\$73,494</u>	<u>\$ 117,654</u>	<u>\$48,845</u>	<u>\$102,819</u>	<u>\$115,872</u>	<u>\$ 22,294</u>	<u>\$ 73,253</u>	<u>\$ 68,612</u>	<u>\$33,667</u>	<u>\$ 269,168</u>	<u>\$ 927,538</u>	<u>\$ 359,010</u>	<u>\$ 92,566</u>	<u>\$ 1,379,114</u>

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

AFRICAN LEADERSHIP, INC.
STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

Cash flows from operating activities:

Change in net assets	\$ 115,396
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Loss on disposal of fixed assets	1,119
Change in operating assets and liabilities:	
Other assets	3,195
Accounts payable and accrued expenses	907
Net cash provided by operating activities	<u>120,617</u>
Net increase in cash and cash equivalents	120,617
Cash and cash equivalents, beginning of year	<u>371,332</u>
Cash and cash equivalents, end of year	<u><u>\$ 491,949</u></u>

AFRICAN LEADERSHIP, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 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 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, 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 \$16,544 for the year ended December 31, 2018.

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.

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.

AFRICAN LEADERSHIP, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

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 U.S. GAAP.

Concentration of Credit Risk – As of December 31, 2018, the Organization maintained cash at a financial institution which exceeded the federally insured amount by approximately \$197,000. 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.

Change in Accounting Principle – In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return.

Accounting Policies for Future Pronouncements – In May 2014, the FASB issued 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. ASU 2014-09 is effective for the Organization for the year ending December 31, 2019. The Organization is currently evaluating the effect of the implementation of this new standard.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Accounting Standards Codification (ASC) 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the Organization for the year ending December 31, 2020. A modified retrospective transition approach is required for leases for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with practical expedients available. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements. See Note 5 for the Organization’s operating lease commitment.

In June 2018, the 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 standard will be effective for the fiscal year ending December 31, 2019. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Subsequent Events – The Organization has evaluated subsequent events through July 8, 2019 in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

AFRICAN LEADERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

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. 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, compromise the following at December 31, 2018.

Cash and cash equivalents	\$ 491,949
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Note 4—Temporarily restricted net assets

Temporarily restricted net assets are restricted for the following purposes at December 31, 2018:

Common Ground Academy - Country initiatives	\$ 142,839
Common Grounds - Grant	136,976
Other	102,936
Common Ground - Program initiatives	10,766
	<u>\$ 393,517</u>

Note 5—Commitments

The Organization leases certain office space and equipment under noncancelable operating leases that expired in February 2019. Future minimum lease payments under this noncancelable lease are as follows:

Years Ending December 31,

2019	\$ 8,640
2020	-
2021	-
2022	-
2023	-
	<u>\$ 8,640</u>

Rental expense for the year ended December 31, 2018 totaled \$45,554.

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 \$7,074 for the year ended December 31, 2018.