

AFRICAN LEADERSHIP, INC.

FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2021

And Report of Independent Auditor

AFRICAN LEADERSHIP, INC.
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Report of Independent Auditor

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

Opinion

We have audited the accompanying financial statements of African Leadership, Inc. (the “Organization”) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Cherry Bekart LLP

Nashville, Tennessee
July 20, 2022

AFRICAN LEADERSHIP, INC.
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

ASSETS

Current Assets:

Cash and cash equivalents	\$	399,887
Pledges receivable		23,577
Employee retention credit receivable		28,000
Other assets		16,568
Total Assets	\$	468,032

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	\$	13,065
Total Liabilities		13,065

Net Assets:

Without donor restrictions		40,954
With donor restrictions		414,013
Total Net Assets		454,967
Total Liabilities and Net Assets	\$	468,032

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

AFRICAN LEADERSHIP, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support:			
Contributions	\$ 543,124	\$ 436,752	\$ 979,876
Federal grant Paycheck Protection Program	91,442	-	91,442
Event registrations and sales	41,603	-	41,603
Other income	4,817	-	4,817
Gain on disposal of fixed assets	3,589	-	3,589
Net assets released from restrictions	425,783	(425,783)	-
Total Revenue and Other Support	1,110,358	10,969	1,121,327
Expenses:			
Program services	627,302	-	627,302
Administrative services	186,873	-	186,873
Fundraising services	151,351	-	151,351
Total Expenses	965,526	-	965,526
Change in net assets	144,832	10,969	155,801
Net assets, beginning of year	(103,878)	403,044	299,166
Net assets, end of year	\$ 40,954	\$ 414,013	\$ 454,967

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, 2021

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 145,168	\$ 145,168	\$ 65,478	\$ 75,534	\$ 286,180
Operations	35,452	28,568	3,046	31,718	21,520	26,540	70,000	38,755	20,793	-	276,392	-	-	276,392
Professional fees	-	-	-	-	-	-	-	-	35	19,000	19,035	57,890	30,512	107,437
Bibles	26,723	15,105	-	3,125	-	-	-	-	-	-	44,953	-	-	44,953
New dawn education	-	36,000	-	-	-	-	-	-	-	-	36,000	-	-	36,000
Insurance	-	-	-	-	-	-	-	-	-	14,619	14,619	10,478	3,103	28,200
Memberships, dues, and licenses	-	-	-	-	-	-	-	-	-	-	-	14,771	10,979	25,750
Curriculum	4,850	3,900	-	12,702	3,473	-	-	-	594	-	25,519	-	-	25,519
Action ministry	-	-	21,954	-	-	-	-	-	-	-	21,954	-	-	21,954
Rent	-	-	-	-	-	-	-	-	-	-	-	21,759	-	21,759
Nazareth - Women at Risk	-	20,000	-	-	-	-	-	-	-	-	20,000	-	-	20,000
Bank and credit card charges	-	-	-	-	-	-	-	-	-	-	-	3,172	13,457	16,629
Advertising and marketing	-	-	-	-	-	-	-	-	-	-	-	65	13,303	13,368
Office supplies	-	-	-	-	-	-	-	-	-	-	-	8,013	2,820	10,833
Board development	-	-	-	-	-	-	-	10,015	-	-	10,015	-	-	10,015
Projects	3,180	-	-	-	1,000	-	-	-	1,500	-	5,680	-	-	5,680
Teacher development	-	5,000	-	-	-	-	-	-	-	-	5,000	-	-	5,000
GOMA flame of love	2,900	-	-	-	-	-	-	-	-	-	2,900	-	-	2,900
Postage and shipping	-	-	-	-	-	-	-	-	-	-	-	1,989	-	1,989
Travel	-	-	-	-	-	-	-	-	-	21	21	1,206	368	1,595
Telephone	-	-	-	-	-	-	-	-	-	-	-	1,496	-	1,496
Events	-	-	-	-	-	-	-	-	-	46	46	-	1,235	1,281
Staff development	-	-	-	-	-	-	-	-	-	-	-	410	-	410
Other	-	-	-	-	-	-	-	-	-	-	-	146	40	186
Total Expenses	\$ 73,105	\$ 108,573	\$ 25,000	\$ 47,545	\$ 25,993	\$ 26,540	\$ 70,000	\$ 48,770	\$ 22,922	\$ 178,854	\$ 627,302	\$ 186,873	\$ 151,351	\$ 965,526

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

AFRICAN LEADERSHIP, INC.
STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2021

Cash flows from operating activities:

Change in net assets	\$ 155,801
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Net change in operating assets and liabilities:	
Pledge receivable	(13,091)
Employee retention credit receivable	(28,000)
Other assets	(13,618)
Accounts payable and accrued expenses	(10,242)
Net cash flows from operating activities	<u>90,850</u>

Cash flows from investing activities:

Proceeds from sale of investments	<u>11,612</u>
Net cash flows from investing activities	<u>11,612</u>

Net change in cash and cash equivalents	102,462
Cash and cash equivalents, beginning of year	<u>297,425</u>
Cash and cash equivalents, end of year	<u>\$ 399,887</u>

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

AFRICAN LEADERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 1—Description and purpose of organization

African Leadership, Inc. (the “Organization”) enables Africa’s leaders to cultivate and equip the next generation to lead and build thriving communities so that the beauty, transformation, and hope of the Gospel can be seen and experienced by those involved. This is accomplished by providing local leaders with a two-year education designed to prepare leaders spiritually, emotionally, and physically for the 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, 2021.

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, 2021.

Pledges 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, 2021.

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 \$13,368 for the year ended December 31, 2021.

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, 2021

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 Investments, Goods, and Services – Donated investments, 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.

Accounting Policy for Future Pronouncement – In February 2016, Financial Accounting Standards Board issued Accounting Standards Update 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.

Rent Expense – The Organization leases certain office space under a noncancelable operating lease that expires in April 2022. Rental expense for the year ended December 31, 2021 totaled \$21,759.

Subsequent Events – The Organization evaluated subsequent events through July 20, 2022, when the financial statements were available to be issued.

Note 3—Liquidity and availability of resources

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, comprise the following at December 31, 2021:

Financial assets at year-end:	
Cash and cash equivalents	\$ 399,887
Pledges receivable	23,577
Employee retention credit receivable	28,000
Total financial assets	451,464
Less amounts not available to be used for general expenditures within one year:	
Net assets restricted for specific programs	(414,013)
Financial assets available to meet general expenditures within one year	\$ 37,451

The Organization had unrestricted net assets of \$40,954 as of December 31, 2021 and \$155,801 increase in net assets for the year then ended.

AFRICAN LEADERSHIP, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 4—Net assets with donor restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31, 2021:

African country programs	\$ 265,797
Ugandan pastor training and development	95,850
Special projects	49,720
Events and partnerships	2,646
	<u>\$ 414,013</u>

Note 5—Federal grant Paycheck Protection Program revenue

During the year ended December 31, 2021, the Organization received a Paycheck Protection Program loan ("PPP") in the amount of \$91,442. The PPP loan was granted by the Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). PPP loans are considered conditional contributions under Accounting Standards Codification ("ASC") 958-605, *Not-for-Profit Entities – Revenue Recognition*. The loan must be repaid if the Organization does not overcome certain barriers within the CARES Act. The barriers under the program include the requirement to maintain employee headcount, spend up to 60% of the loan proceeds on certain payroll and employee benefits, and restricts other loan proceeds to be used for other qualifying expenses such as mortgage interest, rent, and utilities. The Organization has recognized grant revenue for the full amount of \$91,442 for the year ended December 31, 2021, because the Organization received SBA notification of the loan's forgiveness prior to the year then ended.

Note 6—Employee retention credit

The CARES Act contains the Employee Retention Credit ("ERC"), a refundable payroll tax credit available to employers that have experienced hardship in their operations due to the COVID-19 outbreak. The Organization qualified for \$28,000 of ERC for various quarters during the year ended December 31, 2021. The Organization selected ASC 958-605 as the applicable standard for accounting for ERC and, as such, recognized the ERC when the qualifying wages were incurred. At December 31, 2021, a receivable of \$28,000 for ERC was outstanding in the accompanying statement of financial position and the corresponding amount reduced payroll expenses on the statement of functional expenses for the year then ended.

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 contributions to the plan totaling \$9,111 for the year ended December 31, 2021.

Note 8—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. The Organization received contributions from a single donor that totaled approximately 10% of total revenue and support for the year ended December 31, 2021.

As of December 31, 2021, the Organization maintained cash at a financial institution which exceeded the federally insured amount by approximately \$145,000. 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.