

**FINANCIAL STATEMENTS**

**AFRICARE**

**FOR THE YEAR ENDED JUNE 30, 2007  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2006**

# AFRICARE

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**GELMAN, ROSENBERG & FREEDMAN**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Africare  
Washington, D.C.

We have audited the accompanying statement of financial position of Africare as of June 30, 2007, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Africare's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the June 30, 2006 financial statements of Africare, which were audited by other auditors, whose report dated November 7, 2007, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Africare as of June 30, 2007, and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Gelman Rosenberg & Freedman*

September 24, 2008

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**AFRICARE**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2007**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006**

**ASSETS**

	<u>2007</u>	<u>2006</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 8,855,771	\$ 10,625,788
Investments (Note 2)	<u>4,165,503</u>	<u>3,732,076</u>
Total cash and investments	<u>13,021,274</u>	<u>14,357,864</u>
Accounts, employee and other receivables:		
Accounts receivable, Combined Federal Campaign	52,967	4,680
Employee receivables and advances, net of allowance for doubtful accounts of \$10,000 in 2007 and 2006	65,437	61,329
Other receivables and advances, net of allowance for doubtful accounts of \$680,000 in 2007 and 2006	<u>458,141</u>	<u>377,991</u>
Total accounts, employee and other receivables	<u>576,545</u>	<u>444,000</u>
Grants and support receivable:		
Federal grants receivable, net of allowance for doubtful accounts of \$161,000 and \$150,000, respectively	5,603,059	5,671,023
Foreign governments and international organizations	394,070	635,959
Private and other	<u>79,187</u>	<u>68,651</u>
Total grants and support receivable	<u>6,076,316</u>	<u>6,375,633</u>
Total current assets	<u>19,674,135</u>	<u>21,177,497</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	224,756	224,756
Buildings	2,253,222	2,253,222
Equipment	3,478,317	2,876,533
Donated artwork	<u>579,135</u>	<u>579,135</u>
Total cost of property and equipment	6,535,430	5,933,646
Less accumulated depreciation	<u>(3,319,690)</u>	<u>(2,947,024)</u>
Net property and equipment	<u>3,215,740</u>	<u>2,986,622</u>
<b>OTHER ASSETS</b>		
Investments - non current (Note 2)	3,018,063	3,018,063
Other assets	<u>838,810</u>	<u>1,848,824</u>
Total other assets	<u>3,856,873</u>	<u>4,866,887</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 26,746,748</u></b>	<b><u>\$ 29,031,006</u></b>

See accompanying notes to financial statements.



## AFRICARE

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2007  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006**

	<u>2007</u>			<u>2006</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
<b>REVENUE</b>					
Contributions and other grants	\$ 8,818,253	\$ 260,584	\$ -	\$ 9,078,837	\$ 7,545,233
Combined federal campaign	199,889	-	-	199,889	198,439
Foundations and trusts	1,712,200	-	-	1,712,200	1,351,400
U.S. government grants	24,750,892	-	-	24,750,892	25,548,677
Foreign government grants	2,092,534	-	-	2,092,534	1,368,561
Special events	1,069,158	-	-	1,069,158	819,820
Investment income (Note 2)	1,049,741	-	-	1,049,741	388,935
Donated services and materials (Note 6)	6,397,048	-	-	6,397,048	8,980,098
Membership dues	19,807	-	-	19,807	28,410
Miscellaneous revenue	1,332,656	-	-	1,332,656	4,369,720
Net assets released from donor restrictions (Note 5)	<u>238,552</u>	<u>(238,552)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>47,680,730</u>	<u>22,032</u>	<u>-</u>	<u>47,702,762</u>	<u>50,599,293</u>
<b>EXPENSES</b>					
Program Services:					
Food security, relief, and refugee assistance	11,674,337	-	-	11,674,337	15,439,502
Health and water resources development	16,236,062	-	-	16,236,062	14,818,687
Agriculture and small scale irrigation	6,986,565	-	-	6,986,565	7,884,983
Integrated rural development	6,523,325	-	-	6,523,325	5,422,242
Other development programs	<u>2,877,532</u>	<u>-</u>	<u>-</u>	<u>2,877,532</u>	<u>2,384,094</u>
Total program services	<u>44,297,821</u>	<u>-</u>	<u>-</u>	<u>44,297,821</u>	<u>45,949,508</u>
Supporting Services:					
Management and general	2,298,335	-	-	2,298,335	2,920,129
Fundraising	<u>1,056,463</u>	<u>-</u>	<u>-</u>	<u>1,056,463</u>	<u>1,359,140</u>
Total supporting services	<u>3,354,798</u>	<u>-</u>	<u>-</u>	<u>3,354,798</u>	<u>4,279,269</u>
Total expenses	<u>47,652,619</u>	<u>-</u>	<u>-</u>	<u>47,652,619</u>	<u>50,228,777</u>
Change in net assets from operations	28,111	22,032	-	50,143	370,516
Non-operating minimum pension liability adjustment (Note 7)	<u>138,638</u>	<u>-</u>	<u>-</u>	<u>138,638</u>	<u>1,079,020</u>
Change in net assets	166,749	22,032	-	188,781	1,449,536
Net assets at beginning of year	<u>8,311,109</u>	<u>348,797</u>	<u>3,018,063</u>	<u>11,677,969</u>	<u>10,228,433</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 8,477,858</u></b>	<b><u>\$ 370,829</u></b>	<b><u>\$ 3,018,063</u></b>	<b><u>\$ 11,866,750</u></b>	<b><u>\$ 11,677,969</u></b>

See accompanying notes to financial statements.

**AFRICARE**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2007  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006**

	<b>2007</b>			
	<b>Program Services</b>			
	<b>Food Security, Relief and Refugee Assistance</b>	<b>Health and Water Resources Development</b>	<b>Agriculture and Small Scale Irrigation</b>	<b>Integrated Rural Development</b>
Salaries and fringe benefits	\$ 3,369,865	\$ 6,099,921	\$ 2,698,931	\$ 2,427,317
Freight	5,065,591	28,785	10,496	118,841
Travel, relocation and housing	429,856	893,033	396,289	371,302
Construction, subcontracts, and other services	596,547	2,615,970	261,428	743,755
Supplies and materials	654,113	1,735,519	1,803,121	1,323,964
Rent and occupancy charges	120,337	869,774	425,193	329,445
Conferences, conventions and meetings	116,426	1,605,136	173,516	139,367
Vehicle purchases, repair and maintenance	814,644	971,435	673,468	578,410
Professional and contractual services	133,954	208,527	38,002	47,246
Telephone, postage and delivery	86,224	371,679	170,227	123,830
Office equipment and furnishings	29,410	161,563	72,478	27,613
Insurance	34,009	114,249	44,498	52,073
Public and community relations	4,100	15,857	1,571	11,385
Office equipment rental	17,471	87,114	47,023	40,926
Legal and audit	34,855	56,801	104,145	9,478
Recruitment	6,347	29,426	2,710	3,276
Depreciation	9,754	188,891	31,545	91,519
Other	150,834	182,382	31,924	83,578
<b>TOTAL</b>	<b>\$ 11,674,337</b>	<b>\$ 16,236,062</b>	<b>\$ 6,986,565</b>	<b>\$ 6,523,325</b>

See accompanying notes to financial statements.

							2006
<b>Supporting Services</b>							
<b>Other Development Programs</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	<b>Total Expenses</b>	<b>Total Expenses</b>	
\$ 597,249	\$ 15,193,283	\$ 1,112,865	\$ 375,071	\$ 1,487,936	\$ 16,681,219	\$ 17,093,129	
672	5,224,385	513	6,984	7,497	5,231,882	8,186,980	
114,296	2,204,776	109,972	23,848	133,820	2,338,596	2,105,886	
305,953	4,523,653	5,319	385,294	390,613	4,914,266	4,585,978	
263,994	5,780,711	31,381	46,295	77,676	5,858,387	5,157,200	
96,801	1,841,550	164,400	-	164,400	2,005,950	1,767,001	
149,448	2,183,893	28,257	18,609	46,866	2,230,759	2,093,852	
260,900	3,298,857	27,462	8,919	36,381	3,335,238	3,717,670	
87,736	515,465	62,620	25,324	87,944	603,409	605,512	
47,786	799,746	42,904	33,784	76,688	876,434	857,065	
31,225	322,289	10,976	13	10,989	333,278	437,710	
10,910	255,739	23,969	-	23,969	279,708	387,685	
7,655	40,568	3,931	53,237	57,168	97,736	236,007	
12,572	205,106	33,542	536	34,078	239,184	247,265	
2,827	208,106	171,934	-	171,934	380,040	553,181	
125	41,884	11,936	56,973	68,909	110,793	29,098	
75,966	397,675	111,629	-	111,629	509,304	361,525	
811,417	1,260,135	344,725	21,576	366,301	1,626,436	1,806,033	
<b>\$ 2,877,532</b>	<b>\$ 44,297,821</b>	<b>\$ 2,298,335</b>	<b>\$ 1,056,463</b>	<b>\$ 3,354,798</b>	<b>\$ 47,652,619</b>	<b>\$ 50,228,777</b>	

## AFRICARE

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2007  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006**

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 188,781	\$ 1,449,536
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	509,304	361,525
Net realized and unrealized (gain) loss	629,548	(78,790)
Provision for allowance for doubtful accounts	284,292	1,681,880
Gain on cancellation of capital lease obligation	(22,211)	-
(Increase) decrease in:		
Accounts, employee and other receivables	(132,545)	1,175,567
Grants and support receivable	15,025	323,979
Other assets	1,010,014	(1,661,206)
Increase (decrease) in:		
Accounts payable	(503,372)	920,245
Accrued salaries and related expenses	154,403	38,883
Refundable advances	(1,606,941)	(8,636,456)
Pension payable	<u>(572,289)</u>	<u>(588,296)</u>
Net cash used by operating activities	<u>(45,991)</u>	<u>(5,013,133)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(620,556)	(961,294)
Purchase of investments	(3,040,024)	(6,189,270)
Sale of investments	<u>1,977,049</u>	<u>6,393,249</u>
Net cash used by investing activities	<u>(1,683,531)</u>	<u>(757,315)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on capital lease obligation	<u>(40,495)</u>	<u>(40,933)</u>
Net cash used by financing activities	<u>(40,495)</u>	<u>(40,933)</u>
Net decrease in cash and cash equivalents	(1,770,017)	(5,811,381)
Cash and cash equivalents at beginning of year	<u>10,625,788</u>	<u>16,437,169</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 8,855,771</u></b>	<b><u>\$ 10,625,788</u></b>

See accompanying notes to financial statements.

AFRICARE

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2007  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006

	<u>2007</u>	<u>2006</u>
<b>SUPPLEMENTAL INFORMATION:</b>		
Interest Paid	\$ <u>11,852</u>	\$ <u>15,733</u>
<b>SCHEDULE OF NONCASH FINANCING TRANSACTIONS</b>		
Capital Lease Obligation Incurred for Use of Equipment	\$ <u>117,866</u>	\$ <u>-</u>

## AFRICARE

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

##### Organization -

Founded in 1970, Africare is a private, nonprofit organization, dedicated to improving the quality of life in Africa. Africare provides assistance in three principal areas - food security, agriculture and health. Africare's financial support comes from charitable foundations, corporations, the religious community, other private organizations, the U.S. Government, local agencies, foreign institutions, and individuals. Its headquarters is in Washington, D.C. During fiscal year 2007, Africare had field offices in twenty-three African countries. Africare has five core programs which are:

**Food Security, Relief and Refugee Assistance** – includes activities that use a combination of food resources, aimed at improving food access, availability, and utilization to promote active and healthy lives. Refugee assistance involves providing emergency aid to victims of natural and man-made disasters

**Health and Water Resources Development** – includes activities to establish and strengthen rural health clinics and primary health services networks where basic medical care is limited or non-existent and activities to increase water supplies, improve water distribution systems and water portability/sanitation throughout Africa. Specific work includes well construction and village level sanitation infrastructure.

**Agriculture and Small Scale Irrigation** – includes services that focus on all aspects of food production and utilization, from improved cultivation of crops, livestock, agricultural irrigation and natural resource management, to farm infrastructure and farmer credit and training in agribusiness practices.

**Integrated Rural Development** – provides services to support rural areas needing help in water resources, irrigation, agriculture, and health clinics, to reduce shortages of essential food, water and services caused by drought and large influxes of immigrants.

**Other Development Programs** – includes activities such as literacy and vocational training, microenterprise, civil-society development and governance and emergency humanitarian aid that are outside of and compliment Africare's principal program areas.

##### Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations".

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2006, from which the summarized information was derived.

## AFRICARE

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

##### Cash and cash equivalents -

Africare considers all cash and other highly liquid investments, with initial maturities of three months or less, to be cash equivalents.

At times during the year, Africare maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Africare maintains numerous bank accounts in foreign countries which are largely uninsured. Total cash and cash equivalents held overseas was \$7,214,995 as of June 30, 2007.

##### Investments -

Investments are recorded at market value. Unrealized gains and losses are included in investment income in the Statement of Activities and Change in Net Assets. Investment income is reported as unrestricted revenue unless stipulated for a specific purpose by a donor.

##### Property and equipment -

Property and equipment in excess of \$5,000 are capitalized and stated at cost if purchased or, if donated, at the fair market value at the date of the gift. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three years for furniture and equipment and vehicles, and fifty years for buildings. The cost of maintenance and repairs is recorded as expenses are incurred.

##### Agricultural commodities -

Africare receives agricultural commodities at no cost from agencies of the U.S. Government, for distribution under contracts related to specific relief programs, monetization with the cash proceeds to be used for Africare projects, or monetization with the proceeds distributed to other non-profit organization partners.

Commodities received for distribution are recorded at an amount approximating fair market value. Commodities held in inventory or in-transit are recorded as an asset and liability until distributed. Upon distribution, they are recorded as revenue and expense. Commodity inventories are included in other assets, with the related liability in accounts payable, totaling \$544,432 for 2007.

Commodities received that are to be sold (monetized), where the related proceeds are designated for Africare project activities, are recorded as deferred revenue when the cash proceeds are received. Revenue and expenses are recognized when the proceeds are utilized for project activities.

Commodities received that are to be sold (monetized), where the related proceeds are designated for other non-profit organizations, are recorded as a liability until the funds are distributed to those other organizations.

## AFRICARE

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

##### Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of Africare and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of Africare 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 and Change in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by Africare. There are no restrictions placed on the use of investment earnings.

##### Contributions and grants -

Contributions are recorded as revenue in the year notification is received from the donor. Contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Africare receives funding under grants and contracts from the U.S. and foreign governments, international organizations and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Grants and support receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Refundable advances represents grant funding in advance of incurring the related expenses.

##### Donated services, materials, furniture, and equipment -

Donated services, materials, furniture, and equipment are recorded at the fair value of the donated items.

##### Foreign currency -

The U.S. dollar is the functional currency of Africare. Transactions in currencies other than dollars are translated into dollars at the rates of exchange in effect during the month of the transaction. Property and equipment purchases with non-U.S. currency are translated into dollars at the exchange rate in effect at the time of purchase. Assets and liabilities denominated in non-U.S. currency are translated into dollars at the exchange rate in effect at the date of the balance sheet. The net exchange losses from foreign currency of \$450,689 for the year ended June 30, 2007 is included in other expenses on the statement of functional expense.

## AFRICARE

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

##### Income taxes -

Africare is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Africare is not a private foundation.

##### 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

##### Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

##### Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

#### 2. INVESTMENTS

Investments are presented at market value and consisted of the following at June 30, 2007:

US Government bonds	\$ 2,074,861
Corporate bonds	1,032,726
Common stocks	3,994,729
Mutual funds	<u>81,250</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 7,183,566</u></b>

Included in investment income are the following:

Interest and dividends	\$ 420,193
Unrealized gains	354,223
Realized gains	<u>275,325</u>
<b>TOTAL INVESTMENT INCOME</b>	<b><u>\$ 1,049,741</u></b>

**AFRICARE**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**3. CAPITAL LEASES PAYABLE**

Africare has capital lease obligations for copiers which expire at various times through 2012. As of June 30, 2007, the cost and related accumulated amortization of these copiers were \$137,675 and \$42,727, respectively.

Future minimum lease payments at June 30, 2007 are as follows:

<u>Year Ended December 31,</u>		
2008		\$ 36,228
2009		31,728
2010		27,000
2011		27,000
2012		<u>13,500</u>
Total minimum lease payments		135,456
Less interest		<u>(16,216)</u>
Present value of minimum lease payments		119,240
Less current portion		<u>(29,112)</u>
<b>LONG-TERM PORTION</b>		<b><u>\$ 90,128</u></b>

**4. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at June 30, 2007:

Food security, relief, and refugee assistance	\$ 6,746
Health and water resources development	249,352
Agriculture and small scale irrigation	150
Integrated rural development	26,030
Other development programs	<u>88,551</u>
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b><u>\$ 370,829</u></b>

**5. NET ASSETS RELEASED FROM RESTRICTIONS**

The following temporarily restricted net assets were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors:

Food security, relief, and refugee assistance	\$ 48,149
Health and water resources development	147,092
Other development programs	<u>43,311</u>
<b>TOTAL NET ASSETS RELEASED</b>	<b><u>\$ 238,552</u></b>

**AFRICARE**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**6. DONATED SERVICES AND MATERIALS**

During the year ended June 30, 2007, Africare was the beneficiary of donated goods and services which allow Africare to provide greater resources towards various programs. The following programs have benefited from these donated services:

Food security, relief, and refugee assistance	\$ 4,043,155
Health and water resources development	39,598
Agriculture and small scale irrigation	1,055,779
Integrated rural development	301,123
Other development programs	<u>957,393</u>
<b>TOTAL DONATED SERVICES AND MATERIALS</b>	<b><u>\$ 6,397,048</u></b>

**7. EMPLOYEE BENEFIT PLANS**

***Pension Plan:***

Africare has a noncontributory defined benefit pension plan (the "Plan") that covers all employees after one year of employment. The benefits are based on years of service and the employees' average compensation during the three highest consecutive years of participation. Africare makes actuarially determined contributions to satisfy minimum funding requirements.

Africare's Investment Committee (the "Committee") monitors Plan assets to ensure that portfolio income and liquidity is adequate to meet Plan benefit payments and other costs. In addition, the Committee ensures adequate capital growth over an extended period of time while considering market risks and changes in the actuarial present value of the liability. The Plan assets are required to be diversified to ensure no disproportionate risks are taken with any single assets class or industry sector and to guard against inflation. The Plan asset allocation is reviewed periodically with current market assumptions to ensure that the long-term goals of the plan are met.

Plan assets were invested in the following asset classes at June 30, 2007:

Money market funds	0.5 %
U.S. Government securities	16.3
Domestic equity	70.7
Fixed income	9.9
Mortgage and asset backed	<u>2.6</u>
<b>TOTAL</b>	<b><u>100.0 %</u></b>

The following table sets forth the Plan's funded status as of June 30, 2007:

Fair value of plan assets at end of year	\$ 6,942,609
Projected benefit obligation at end of year	<u>7,778,475</u>
Funded status	(835,866)
Unrecognized net loss	<u>931,241</u>
<b>NET AMOUNT RECOGNIZED</b>	<b><u>\$ 95,375</u></b>

**AFRICARE**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**7. EMPLOYEE BENEFIT PLANS (Continued)**

Amount recognized consists of:	
Accrued pension liability	\$ (835,866)
Accumulated other non-operating expense	<u>931,241</u>
<b>NET AMOUNT RECOGNIZED</b>	<b><u>\$ 95,375</u></b>

At June 30, 2007, the accumulated benefit obligation exceeded the fair value of plan assets by \$835,866. Based on changes in actuarial assumptions and the Board's action to freeze accrual of benefits as of June 30, 2006, a minimum pension liability adjustment of \$138,638 was recorded. This adjustment was reported as a non-operating gain on the Statement of Activities and Change in Net Assets.

The accumulated benefit obligation for the Plan was \$7,778,475 as of June 30, 2007.

The net periodic pension costs for the year ended June 30, 2007 included the following components:

Interest cost	\$ 449,403
Expected return on plan assets	(417,444)
Net amortization of prior service cost	<u>53,100</u>
<b>NET PERIODIC PENSION COST (NPPC)</b>	<b><u>\$ 85,059</u></b>

Assumptions used in the pension accounting for June 30, 2007 were as follows:

Weighted-average assumptions used to determine benefit obligations:	
Discount rate	6.00%
Rate of compensation increase	0.00%
Weighted-average assumptions used to determine net periodic benefit cost:	
Discount rate	6.10%
Expected return on plan assets	7.00%
Rate of compensation increase	0.00%

Employer contributions to the Plan during the year ended June 30, 2007 were \$518,710. Africare expects to contribute approximately \$312,000 to the plan for the year ended June 30, 2008. During the year ended June 30, 2007, benefits of \$271,679 were paid to eligible participants.

On December 2, 2005, the Board of Directors approved an amendment to freeze the accrual of benefits under the plan as of June 30, 2006. This plan curtailment does not affect the benefits of current retirees or terminated vested participants in the Plan.

**AFRICARE**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**7. EMPLOYEE BENEFIT PLANS (Continued)**

Considering the plan curtailment described above, the following benefit payments, reflecting past service, are expected to be paid as of June 30, 2007:

<u>Year Ended June 30,</u>	
2008	\$ 345,000
2009	355,200
2010	410,000
2011	412,100
2012	468,700
Thereafter	<u>2,421,600</u>
<b>TOTAL BENEFIT PAYMENTS</b>	<b><u>\$ 4,412,600</u></b>

***Savings Plan:***

Africare participates in the Africare, Inc. 401(k) Savings Plan (the "Savings Plan"), a defined contribution plan, which was adopted on July 1, 2006. Employees are eligible to participate after six months of service and are fully vested in amounts attributable to salary deferrals and non-elective contributions. For discretionary employer contributions, vesting occurs in 20% increments up to six years of service when 100% vesting occurs. There are 18 investment options that employees can choose from. Africare did not begin non-elective contributions until July 2007, so there were no contributions during the year ended June 30, 2007.

**8. CONTINGENCY**

Africare receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of OMB Circular A-133. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2007. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.