

FINANCIAL STATEMENTS

AFRICARE

**FOR THE YEAR ENDED JUNE 30, 2008
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2007**

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, 2008, 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 organization's 2007 financial statements and, in our report dated September 24, 2008, we expressed an unqualified opinion on those statements.

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 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 audits provide 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, 2008, 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

May 22, 2009

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AFRICARE
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2008
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2007

ASSETS

	<u>2008</u>	<u>2007</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 9,365,101	\$ 8,855,771
Investments (Note 2)	<u>3,510,927</u>	<u>4,165,503</u>
Total cash and investments	<u>12,876,028</u>	<u>13,021,274</u>
Accounts, employee and other receivables:		
Accounts receivable, Combined Federal Campaign	56,850	52,967
Employee receivables and advances, net of allowance for doubtful accounts of \$10,000 in 2008 and 2007, respectively	49,368	65,437
Other receivables and advances, net of allowance for doubtful accounts of \$412,000 and \$680,000 in 2008 and 2007, respectively	<u>452,800</u>	<u>458,141</u>
Total accounts, employee and other receivables	<u>559,018</u>	<u>576,545</u>
Grants and support receivable:		
Federal grants receivable, net of allowance for doubtful accounts of \$241,100 and \$161,000, in 2008 and 2007, respectively	5,104,703	5,603,059
Foreign governments and international organizations	643,532	394,070
Private and other	<u>156,422</u>	<u>79,187</u>
Total grants and support receivable	<u>5,904,657</u>	<u>6,076,316</u>
Total current assets	<u>19,339,703</u>	<u>19,674,135</u>
PROPERTY AND EQUIPMENT		
Land	224,756	224,756
Buildings	2,253,222	2,253,222
Equipment (Note 3)	4,257,865	3,478,317
Donated artwork	<u>579,135</u>	<u>579,135</u>
Total cost of property and equipment	7,314,978	6,535,430
Less accumulated depreciation	<u>(3,877,537)</u>	<u>(3,319,690)</u>
Net property and equipment	<u>3,437,441</u>	<u>3,215,740</u>
OTHER ASSETS		
Investments - non-current (Note 2)	3,018,063	3,018,063
Other assets	<u>1,178,588</u>	<u>838,810</u>
Total other assets	<u>4,196,651</u>	<u>3,856,873</u>
TOTAL ASSETS	<u>\$ 26,973,795</u>	<u>\$ 26,746,748</u>

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS

	<u>2008</u>	<u>2007</u>
CURRENT LIABILITIES		
Capital leases payable, current portion (Note 3)	\$ 47,823	\$ 29,112
Accounts payable	2,919,230	4,404,698
Accrued salaries and related expenses	1,095,944	1,031,186
Refundable advances:		
U.S. Federal government	6,657,752	5,647,881
Foreign governments and international organizations	2,105,064	1,236,161
Private and other	2,433,310	1,604,966
Pension payable (Note 7)	<u>1,420,412</u>	<u>835,866</u>
Total current liabilities	<u>16,679,535</u>	<u>14,789,870</u>
LONG-TERM LIABILITIES		
Capital leases payable, net of current portion (Note 3)	<u>106,169</u>	<u>90,128</u>
Total liabilities	<u>16,785,704</u>	<u>14,879,998</u>
NET ASSETS		
Unrestricted	6,774,504	8,477,858
Temporarily restricted (Note 4)	395,524	370,829
Permanently restricted	<u>3,018,063</u>	<u>3,018,063</u>
Total net assets	<u>10,188,091</u>	<u>11,866,750</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 26,973,795</u>	<u>\$ 26,746,748</u>

See accompanying notes to financial statements.

AFRICARE

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2007**

	<u>2008</u>			<u>2007</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
REVENUE					
U.S. Government grants	\$ 26,474,392	\$ -	\$ -	\$ 26,474,392	\$ 24,750,892
Foreign government grants	2,021,052	-	-	2,021,052	2,092,534
Foundations and trusts	2,045,414	-	-	2,045,414	1,712,200
Contributions and other grants	8,480,278	305,167	-	8,785,445	9,078,837
Donated services and materials (Note 6)	4,380,715	-	-	4,380,715	6,397,048
Special events	1,172,026	-	-	1,172,026	1,069,158
Combined Federal campaign	288,752	-	-	288,752	199,889
Investment income (Note 2)	202,589	-	-	202,589	1,049,741
Membership dues	11,462	-	-	11,462	19,807
Miscellaneous revenue	858,400	-	-	858,400	1,332,656
Net assets released from donor restrictions (Note 5)	<u>280,472</u>	<u>(280,472)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>46,215,552</u>	<u>24,695</u>	<u>-</u>	<u>46,240,247</u>	<u>47,702,762</u>
EXPENSES					
Program Services:					
Health and Water Resources Development	19,954,275	-	-	19,954,275	16,236,062
Food Security, Relief, and Refugee Assistance	8,719,408	-	-	8,719,408	11,674,337
Agriculture and Small Scale Irrigation	5,234,283	-	-	5,234,283	6,986,565
Integrated Rural Development	8,051,628	-	-	8,051,628	6,523,325
Other Development Programs	<u>1,971,987</u>	<u>-</u>	<u>-</u>	<u>1,971,987</u>	<u>2,877,532</u>
Total program services	<u>43,931,581</u>	<u>-</u>	<u>-</u>	<u>43,931,581</u>	<u>44,297,821</u>
Supporting Services:					
Management and General	1,897,965	-	-	1,897,965	2,298,335
Fundraising	<u>1,178,619</u>	<u>-</u>	<u>-</u>	<u>1,178,619</u>	<u>1,056,463</u>
Total supporting services	<u>3,076,584</u>	<u>-</u>	<u>-</u>	<u>3,076,584</u>	<u>3,354,798</u>
Total expenses	<u>47,008,165</u>	<u>-</u>	<u>-</u>	<u>47,008,165</u>	<u>47,652,619</u>
Change in net assets from operations	(792,613)	24,695	-	(767,918)	50,143
Non-operating minimum pension liability adjustment (Note 7)	<u>(910,741)</u>	<u>-</u>	<u>-</u>	<u>(910,741)</u>	<u>138,638</u>
Change in net assets	(1,703,354)	24,695	-	(1,678,659)	188,781
Net assets at beginning of year	<u>8,477,858</u>	<u>370,829</u>	<u>3,018,063</u>	<u>11,866,750</u>	<u>11,677,969</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,774,504</u>	<u>\$ 395,524</u>	<u>\$ 3,018,063</u>	<u>\$ 10,188,091</u>	<u>\$ 11,866,750</u>

See accompanying notes to financial statements.

AFRICARE

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2007**

	2008			
	Program Services			
	Health and Water Resources Development	Food Security, Relief and Refugee Assistance	Agriculture and Small Scale Irrigation	Integrated Rural Development
Salaries and fringe benefits	\$ 7,169,189	\$ 3,145,470	\$ 2,114,160	\$ 2,333,547
Freight	20,773	2,426,424	7,249	47,211
Travel, relocation and housing	918,196	291,842	358,291	312,521
Construction, subcontracts, and other services	2,680,527	295,874	94,071	1,802,557
Supplies and materials	3,059,123	1,264,536	1,357,252	2,043,288
Rent and occupancy charges	861,637	156,181	330,210	293,391
Conferences, conventions and meetings	2,531,071	107,471	166,911	237,180
Vehicle purchases, repair and maintenance	1,312,693	661,306	418,143	522,867
Professional and contractual services	129,267	96,348	27,196	45,097
Telephone, postage and delivery	408,001	117,468	136,516	111,650
Office equipment and furnishings	166,146	47,653	64,384	38,327
Insurance	127,156	29,919	-	40,962
Public and community relations	20,421	3,969	3,357	6,124
Office equipment rental	77,225	32,744	40,270	37,652
Legal and audit	29,165	4,333	5,276	-
Recruitment	26,788	6,095	821	3,663
Depreciation	268,798	13,913	76,989	114,727
Other	148,099	17,862	33,187	60,864
TOTAL	\$ 19,954,275	\$ 8,719,408	\$ 5,234,283	\$ 8,051,628

See accompanying notes to financial statements.

							2007
Supporting Services							
Other Development Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses	
\$ 614,446	\$ 15,376,812	\$ 641,646	\$ 470,253	\$ 1,111,899	\$ 16,488,711	\$ 16,681,219	
34	2,501,691	-	-	-	2,501,691	5,231,882	
156,339	2,037,189	92,848	78,565	171,413	2,208,602	2,338,596	
74,258	4,947,287	17,088	416,562	433,650	5,380,937	4,914,266	
442,328	8,166,527	23,322	49,450	72,772	8,239,299	5,858,387	
128,174	1,769,593	90,238	-	90,238	1,859,831	2,005,950	
64,815	3,107,448	30,216	7,455	37,671	3,145,119	2,230,759	
167,727	3,082,736	23,008	48,315	71,323	3,154,059	3,335,238	
13,619	311,527	52,513	22,361	74,874	386,401	603,409	
39,331	812,966	28,316	38,801	67,117	880,083	876,434	
29,657	346,167	11,116	6,476	17,592	363,759	333,278	
8,717	206,754	16,464	-	16,464	223,218	279,708	
6,598	40,469	5,893	20,416	26,309	66,778	97,736	
6,458	194,349	16,289	2,305	18,594	212,943	239,184	
45,185	83,959	51,518	2,164	53,682	137,641	380,040	
192	37,559	2,313	2,197	4,510	42,069	110,793	
83,731	558,158	127,967	-	127,967	686,125	509,304	
90,378	350,390	667,210	13,299	680,509	1,030,899	1,626,436	
\$ 1,971,987	\$ 43,931,581	\$ 1,897,965	\$ 1,178,619	\$ 3,076,584	\$ 47,008,165	\$ 47,652,619	

AFRICARE

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2007**

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,678,659)	\$ 188,781
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	686,125	509,304
Net realized and unrealized loss (gain)	106,433	(629,548)
Provision for allowance for doubtful accounts	648,716	284,292
Gain on cancellation of capital lease obligation	-	(22,211)
Loss on disposal of equipment	17,278	-
(Increase) decrease in:		
Accounts, employee and other receivables	111,475	(132,545)
Grants and support receivable	(571,004)	15,025
Other assets	(339,778)	1,010,014
Increase (decrease) in:		
Accounts payable	(1,485,468)	(503,372)
Accrued salaries and related expenses	64,758	154,403
Refundable advances	2,707,118	(1,606,941)
Pension payable	<u>584,546</u>	<u>(572,289)</u>
Net cash provided (used) by operating activities	<u>851,540</u>	<u>(1,305,087)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(849,886)	(620,556)
Purchase of investments	(1,992,792)	(1,780,928)
Sale of investments	<u>2,540,934</u>	<u>1,977,049</u>
Net cash used by investing activities	<u>(301,744)</u>	<u>(424,435)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligation	<u>(40,466)</u>	<u>(40,495)</u>
Net cash used by financing activities	<u>(40,466)</u>	<u>(40,495)</u>
Net increase (decrease) in cash and cash equivalents	509,330	(1,770,017)
Cash and cash equivalents at beginning of year	<u>8,855,771</u>	<u>10,625,788</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 9,365,101</u>	<u>\$ 8,855,771</u>

See accompanying notes to financial statements.

AFRICARE

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2007

	<u>2008</u>	<u>2007</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	\$ <u>14,834</u>	\$ <u>11,852</u>
SCHEDULE OF NONCASH FINANCING TRANSACTIONS:		
Capital Lease Obligation Incurred for Use of Equipment	\$ <u>75,218</u>	\$ <u>117,866</u>

AFRICARE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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 2008, Africare had field offices in twenty-three African countries. Africare has five core programs which are:

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.

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.

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 Africare's financial statements for the year ended June 30, 2007, from which the summarized information was derived.

AFRICARE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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 \$7,015,200 as of June 30, 2008.

Investments -

Investments are recorded at market value. Realized and 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 \$881,209 for 2008.

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.

AFRICARE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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

Agricultural commodities (continued) -

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.

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 represent 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.

AFRICARE

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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

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 gains from foreign currency of \$180,366 for the year ended June 30, 2008 is included in miscellaneous revenue on the Statement of Activities and Change in Net Assets.

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.

2. INVESTMENTS

Investments are presented at market value and consisted of the following at June 30, 2008:

U.S. Government bonds	\$ 1,957,773
Corporate bonds	688,235
Common stocks	3,789,658
Mutual funds	<u>93,324</u>
TOTAL INVESTMENTS	<u>\$ 6,528,990</u>

AFRICARE

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

2. INVESTMENTS (Continued)

Included in investment income are the following:

Interest and dividends	\$ 309,022
Unrealized losses	(203,970)
Realized gains	<u>97,537</u>
TOTAL INVESTMENT INCOME	\$ <u>202,589</u>

3. CAPITAL LEASES PAYABLE

Africare has capital lease obligations for equipment which expire at various times through 2012. As of June 30, 2008, the cost and related accumulated depreciation of the equipment were \$212,892 and \$67,899, respectively.

Future minimum lease payments are as follows:

<u>Year Ended June 30,</u>	
2009	\$ 55,854
2010	48,165
2011	48,165
2012	<u>17,383</u>
Total minimum lease payments	169,567
Less interest	<u>(15,575)</u>
Present value of minimum lease payments	153,992
Less: Current portion	<u>(47,823)</u>
LONG-TERM PORTION	\$ <u>106,169</u>

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2008:

Health and Water Resources Development	\$ 271,799
Food Security, Relief, and Refugee Assistance	21,160
Agriculture and Small Scale Irrigation	150
Integrated Rural Development	26,030
Other Development Programs	<u>76,385</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ <u>395,524</u>

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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:

Health and Water Resources Development	\$ 238,928
Food Security, Relief, and Refugee Assistance	21,281
Other Development Programs	<u>20,263</u>
TOTAL NET ASSETS RELEASED	<u>\$ 280,472</u>

6. DONATED SERVICES AND MATERIALS

During the year ended June 30, 2008, 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:

Health and Water Resources Development	\$ 561,473
Food Security, Relief, and Refugee Assistance	2,089,703
Agriculture and Small Scale Irrigation	1,574,673
Integrated Rural Development	35,787
Other Development Programs	<u>119,079</u>
TOTAL DONATED SERVICES AND MATERIALS	<u>\$ 4,380,715</u>

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.

AFRICARE

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

7. EMPLOYEE BENEFIT PLANS (Continued)

Pension Plan (continued):

Plan assets were invested in the following asset classes at June 30, 2008:

Money market funds	6.6 %
U.S. Government securities	18.5
Domestic equity	62.6
Fixed income	9.6
Mortgage and asset backed	<u>2.7</u>
TOTAL	<u>100.0 %</u>

The following table sets forth the Plan's funded status as of June 30, 2008:

Fair value of plan assets at end of year	\$ 6,390,085
Projected benefit obligation at end of year	<u>7,810,497</u>
Funded status	(1,420,412)
Unrecognized net loss	<u>1,841,982</u>
NET AMOUNT RECOGNIZED	<u>\$ 421,570</u>
Amount recognized consists of:	
Accrued pension liability	\$(1,420,412)
Accumulated other non-operating expense	<u>1,841,982</u>
NET AMOUNT RECOGNIZED	<u>\$ 421,570</u>

At June 30, 2008, the accumulated benefit obligation exceeded the fair value of plan assets by \$1,420,412. 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 \$(910,741) 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 \$7,810,497 as of June 30, 2008.

The net periodic pension cost (credit) for the year ended June 30, 2008 included the following components:

Interest cost	\$ 456,566
Expected return on plan assets	(485,750)
Net amortization of prior service cost	<u>14,989</u>
NET PERIODIC PENSION COST (CREDIT)	<u>\$ (14,195)</u>

AFRICARE

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

7. EMPLOYEE BENEFIT PLANS (Continued)

Pension Plan (continued):

Assumptions used in the pension accounting for June 30, 2008 were as follows:

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

Employer contributions to the Plan during the year ended June 30, 2008 were \$312,000. Africare expects to contribute approximately \$322,000 to the plan for the year ended June 30, 2009. During the year ended June 30, 2008, benefits of \$318,653 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.

Considering the plan curtailment described above, the following benefit payments, reflecting past service, are expected to be paid as of June 30, 2008:

<u>Year Ended June 30,</u>	
2009	\$ 359,700
2010	414,200
2011	415,900
2012	472,500
2013	479,350
Thereafter	<u>2,489,600</u>
TOTAL BENEFIT PAYMENTS	<u>\$ 4,631,250</u>

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.

AFRICARE

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

7. EMPLOYEE BENEFIT PLANS (Continued)

Savings Plan (continued):

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 made non-elective contributions to the Savings Plan of \$112,360 during the year ended June 30, 2008.

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 2008. 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.