

GLOBAL ALLIANCE FOR AFRICA
Chicago, Illinois

FINANCIAL STATEMENTS
December 31, 2008 and 2007




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Independent Auditor's Report

Board of Directors
Global Alliance for Africa
Chicago, Illinois

We have audited the accompanying statements of financial position of Global Alliance for Africa (the "Organization") as of December 31, 2008 and 2007, and the related statements of activities, changes in net assets (deficit), functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 Global Alliance for Africa as of December 31, 2008 and 2007, and the changes in its net assets (deficit) and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Clifton Gunderson LLP

Oak Brook, Illinois
February 5, 2010

GLOBAL ALLIANCE FOR AFRICA
STATEMENTS OF FINANCIAL POSITION
December 31, 2008 and 2007

ASSETS

	<u>2008</u>	<u>2007</u>
Cash	\$ 607	\$ 8,089
Prepaid expenses	53,041	50,217
Property and equipment, net	<u>36,551</u>	<u>38,490</u>
TOTAL ASSETS	<u>\$ 90,199</u>	<u>\$ 96,796</u>

LIABILITIES AND NET ASSETS (DEFICIT)

LIABILITIES

Bank overdraft	\$ 23,006	\$ -
Accounts payable	43,983	36,168
Accrued compensation	5,387	9,456
Deferred revenue	100,220	56,000
Notes payable to related parties	27,000	-
Note payable	<u>16,000</u>	<u>48,000</u>
Total liabilities	<u>215,596</u>	<u>149,624</u>
 NET ASSETS (DEFICIT)		
Unrestricted	(130,397)	(57,828)
Temporarily restricted	<u>5,000</u>	<u>5,000</u>
Total net assets (deficit)	<u>(125,397)</u>	<u>(52,828)</u>
 TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	<u>\$ 90,199</u>	<u>\$ 96,796</u>

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

**GLOBAL ALLIANCE FOR AFRICA
STATEMENT OF ACTIVITIES
Year Ended December 31, 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES			
Contributions and grants	\$ 244,596	\$ -	\$ 244,596
Educational trips and other income	290,461	-	290,461
Income from special events	78,296	-	78,296
In-kind donations	11,870	-	11,870
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>625,223</u>	<u>-</u>	<u>625,223</u>
EXPENSES			
Program services	495,460	-	495,460
Administrative and general	115,240	-	115,240
Fundraising	<u>87,092</u>	<u>-</u>	<u>87,092</u>
Total expenses	<u>697,792</u>	<u>-</u>	<u>697,792</u>
CHANGE IN NET ASSETS (DEFICIT)	<u>\$ (72,569)</u>	<u>\$ -</u>	<u>\$ (72,569)</u>

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

**GLOBAL ALLIANCE FOR AFRICA
STATEMENT OF ACTIVITIES
Year Ended December 31, 2007**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES			
Contributions and grants	\$ 417,086	\$ 5,000	\$ 422,086
Educational trips and other income	110,602	-	110,602
Income from special events	114,822	-	114,822
In-kind donations	9,020	-	9,020
Interest income	14	-	14
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>651,544</u>	<u>5,000</u>	<u>656,544</u>
EXPENSES			
Program services	475,522	-	475,522
Administrative and general	97,714	-	97,714
Fundraising	<u>84,482</u>	<u>-</u>	<u>84,482</u>
Total expenses	<u>657,718</u>	<u>-</u>	<u>657,718</u>
CHANGE IN NET ASSETS (DEFICIT)	<u>\$ (6,174)</u>	<u>\$ 5,000</u>	<u>\$ (1,174)</u>

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

GLOBAL ALLIANCE FOR AFRICA
STATEMENTS OF CHANGES IN NET ASSETS (DEFICIT)
Years Ended December 31, 2008 and 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
NET ASSETS (DEFICIT), DECEMBER 31, 2006	\$ (51,654)	\$ -	\$ (51,654)
Change in net assets (deficit)	<u>(6,174)</u>	<u>5,000</u>	<u>(1,174)</u>
NET ASSETS (DEFICIT), DECEMBER 31, 2007	(57,828)	5,000	(52,828)
Change in net assets (deficit)	<u>(72,569)</u>	<u>-</u>	<u>(72,569)</u>
NET ASSETS (DEFICIT), DECEMBER 31, 2008	<u>\$ (130,397)</u>	<u>\$ 5,000</u>	<u>\$ (125,397)</u>

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

GLOBAL ALLIANCE FOR AFRICA
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2008

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Staff salaries and payroll taxes	\$ 88,343	\$ 29,447	\$ 29,447	\$ 147,237
Staff benefits	8,334	2,778	2,777	13,889
Grants to partners	52,916	-	-	52,916
Accounting fees	-	25,390	-	25,390
Bank and credit card charges	-	1,877	-	1,877
Credit card processing	-	-	8,331	8,331
Conferences and meetings	1,488	-	-	1,488
Consulting fees	2,413	494	-	2,907
Depreciation	3,272	1,762	-	5,034
Entertainment expense	-	71	116	187
Licenses and fees	-	761	-	761
In-kind rent and maintenance expenses	-	8,865	-	8,865
Insurance	-	2,029	-	2,029
Interest expense	-	1,342	-	1,342
Office expense	-	1,966	2,950	4,916
Other direct program expenses	57,388	-	-	57,388
Miscellaneous expenses	144	-	-	144
Postage and shipping	-	3,222	525	3,747
Printing expense	-	8,090	6,356	14,446
Special event expenses	-	-	33,562	33,562
Telephone expense	-	2,923	-	2,923
Website expense	5,624	-	-	5,624
Travel expense	275,538	24,223	3,028	302,789
	<u>275,538</u>	<u>24,223</u>	<u>3,028</u>	<u>302,789</u>
TOTAL EXPENSES	<u>\$ 495,460</u>	<u>\$ 115,240</u>	<u>\$ 87,092</u>	<u>\$ 697,792</u>

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

GLOBAL ALLIANCE FOR AFRICA
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2007

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Staff salaries and payroll taxes	\$ 79,422	\$ 26,474	\$ 26,474	\$ 132,370
Staff benefits	3,308	1,103	1,102	5,513
Grants to partners	68,668	-	-	68,668
Accounting fees	-	22,838	-	22,838
Bank and credit card charges	-	3,278	-	3,278
Credit card processing	-	-	8,149	8,149
Conferences and meetings	638	-	-	638
Consulting fees	6,648	1,362	-	8,010
Depreciation	2,238	1,205	-	3,443
Licenses and fees	-	123	-	123
In-kind rent and maintenance expenses	-	8,990	-	8,990
Insurance	-	1,986	-	1,986
Interest expense	-	4,088	-	4,088
Office expense	-	937	1,405	2,342
Other direct program expenses	86,343	-	-	86,343
Miscellaneous expenses	164	-	-	164
Postage and shipping	-	2,039	332	2,371
Printing expense	-	2,143	1,684	3,827
Promotion expense	-	-	1,099	1,099
Special event expenses	-	-	41,857	41,857
Telephone expense	-	2,106	-	2,106
Website expense	11,493	-	-	11,493
Travel expense	<u>216,600</u>	<u>19,042</u>	<u>2,380</u>	<u>238,022</u>
TOTAL EXPENSES	<u>\$ 475,522</u>	<u>\$ 97,714</u>	<u>\$ 84,482</u>	<u>\$ 657,718</u>

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

**GLOBAL ALLIANCE FOR AFRICA
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets (deficit)	\$ (72,569)	\$ (1,174)
Adjustments to reconcile change in net assets (deficit) to net cash provided by (used in) operating activities:		
Depreciation	5,034	3,443
Donated equipment	(2,195)	-
Stock donation	(3,563)	-
Effects of changes in operating assets and liabilities:		
Prepaid expenses	(2,824)	(19,163)
Accounts payable	7,815	11,416
Accrued compensation	(4,069)	7,090
Deferred revenue	44,220	17,300
	<u>(28,151)</u>	<u>18,912</u>
Net cash provided by (used in) operating activities	<u>(28,151)</u>	<u>18,912</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(900)</u>	<u>(3,315)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in bank overdraft	23,006	-
Advances from related parties	27,000	-
Proceeds from sale of stock	3,563	-
Payments on note payable	<u>(32,000)</u>	<u>(54,000)</u>
Net cash provided by (used in) financing activities	<u>21,569</u>	<u>(54,000)</u>
NET DECREASE IN CASH	(7,482)	(38,403)
CASH, BEGINNING OF YEAR	<u>8,089</u>	<u>46,492</u>
CASH, END OF YEAR	<u>\$ 607</u>	<u>\$ 8,089</u>

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

**GLOBAL ALLIANCE FOR AFRICA
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Global Alliance for Africa (“the Organization”) is a not-for-profit corporation incorporated in the State of Illinois on June 27, 1996. The mission of the Organization is to work with African NGOs, faith-based organizations, and local communities to design and develop economic strengthening programs for families and communities who take care of and provide support to orphans and other vulnerable children affected by HIV/AIDS in sub-Saharan Africa. Global Alliance for Africa is committed to the development of long-term, self-sustaining programs that meet the needs identified by Africans themselves.

The Organization’s fiscal year ends on December 31. Significant accounting policies followed by the Organization are presented below.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting.

Financial Statement Presentation

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. The Organization has no permanently restricted net assets.

Property and Equipment

Purchased property and equipment is stated at cost. Donated equipment is stated at fair value at the time of the donation. The Organization depreciates its property and equipment using the straight-line method over the estimated useful lives of the assets, which are as follows:

Buildings	15 years
Equipment	3-7 years

GLOBAL ALLIANCE FOR AFRICA
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Support and Revenues

The Organization records contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions are recognized as revenue when the donor makes a promise to give that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

In-Kind Donations

Donations of services are recorded if they create or enhance a nonfinancial asset or are specialized skills that would be purchased if they were not donated. Donated long-lived assets are recorded as unrestricted. For the years ended December 31, 2008 and 2007, the Organization recorded in-kind donations of \$11,870 and \$9,020, respectively. These donations were for the use of office space and supporting maintenance services, donation of office equipment, and donation of space and supplies used for special events by unrelated third parties.

Functional Allocation of Expenses

The costs of providing various program and supporting services have been summarized on a functional basis in the Statements of Activities and Statements of Functional Expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

GLOBAL ALLIANCE FOR AFRICA
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in Accounting Principles

Effective January 1, 2008, the Organization adopted FASB Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, which provides a comprehensive framework for measuring fair value and expands disclosures, which are required about fair value measurements. Specifically, SFAS 157 sets forth a definition of fair value and establishes a hierarchy prioritizing the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable value input. The adoption of SFAS 157 did not have a material impact on the Organization's financial statements.

Effective January 1, 2008, the Organization adopted FASB Staff Position, FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*, which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). UPMIFA is a model act approved by the Uniform Law Commission (ULC; formerly known as the National Conference of Commissioners on Uniform State Laws) that serves as a guideline for states to use in enacting legislation. The State of Illinois adopted UPMIFA effective June 30, 2009. This FSP also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA. The Organization currently has no endowments.

Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of FASB Statement No. 109 (FIN 48), to create a single model to address accounting for uncertainty in tax positions. FIN 48 clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, disclosure and transition. FIN 48 will be effective for the Organization's fiscal year ended December 31, 2009.

**GLOBAL ALLIANCE FOR AFRICA
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007**

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2008</u>	<u>2007</u>
Land, Arusha, Tanzania	\$ 7,949	\$ 7,949
Building, Tumaini Vocational Training Center	30,700	30,700
Equipment	<u>14,640</u>	<u>11,545</u>
Total, at cost	53,289	50,194
Less accumulated depreciation	<u>16,738</u>	<u>11,704</u>
Property and equipment, net	<u><u>\$ 36,551</u></u>	<u><u>\$ 38,490</u></u>

NOTE 3 - NOTE PAYABLE

Effective July 1, 2005, the Organization entered into an affiliation agreement with The Children's Place Association, a previously unaffiliated Illinois not-for-profit corporation. The purpose of the affiliation was to increase the capacity of both organizations to serve children and families affected by HIV/AIDS in Africa. As part of the agreement, the Organization effectively became a subsidiary of The Children's Place Association. However, subsequent to December 31, 2005 and by the mutual consent of both organizations, the affiliation agreement was terminated.

On October 16, 2006, the Organization reached an agreement with The Children's Place Association for the repayment of amounts paid on the Organization's behalf over the life of the affiliation. A promissory note payable for \$115,000 was executed between the parties. Under the terms of the note, the Organization was to repay the outstanding principal in eight quarterly installments that range between \$13,000 and \$16,000 beginning December 31, 2006 through September 30, 2008. Total future principal payments are \$16,000 for the year ended December 31, 2009. Interest is also payable quarterly and accrued at the rate of 5% until the principal sum of the note had been reduced by 50% after which interest accrues at the rate of 2%. Any unpaid principal and interest was originally due and payable no later than September 30, 2008. The Children's Place Association subsequently extended the repayment of the note until March 2009 and the note was paid in full during 2009.

NOTE 4 - NOTES PAYABLE TO RELATED PARTIES

In August 2008, the Organization executed three notes payable to members of its Board of Directors totaling \$27,000. All three notes are payable on demand and accrue interest at a rate of 4% annually. No repayments had been made on these notes payable as of February 5, 2010.

**GLOBAL ALLIANCE FOR AFRICA
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007**

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2008 and 2007, temporarily restricted net assets consisted of \$5,000 to be used for a medical clinic.

NOTE 6 - CASH FLOW DISCLOSURES

There was no cash paid for income taxes during the years ended December 31, 2008 and 2007.

Interest payments totaled \$0 and \$4,088 during the years ended December 31, 2008 and 2007, respectively.

Noncash investing and financing transactions

There were no noncash investing and financing transactions during the years ended December 31, 2008 and 2007.

NOTE 7 - GOING CONCERN

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Organization as a going concern. At December 31, 2008 and through February 5, 2010, the Organization is in a deficit position and is operating in a difficult economic environment. Management believes that specific program funding and revenue generated from enhanced fundraising activities will provide sufficient funding to continue operations at current levels of activity, and meet its debt obligations for the foreseeable period.

This information is an integral part of the accompanying financial statements.