

AFGHAN INSTITUTE OF LEARNING

Dearborn, Michigan

FINANCIAL STATEMENTS

December 31, 2008

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BENDA, GRACE, STULZ & COMPANY, P.C.
Certified Public Accountants

George Benda, CPA
John M. Grace, CPA
Bryan D. Stulz, CPA



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Afghan Institute of Learning
P.O. Box 1058
Dearborn, MI 48121

Members of the Board:

We have audited the accompanying statement of assets, liabilities and net assets – modified cash basis of Afghan Institute of Learning (a non-profit non-government organization) as of December 31, 2008 and the related statements of support, revenue and expenses and changes in net assets – modified cash basis for the year then ended. These financial statements are the responsibility of the management of Afghan Institute of Learning. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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.

As described in Note B, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Afghan Institute of Learning as of December 31, 2008 and the support, revenue and expenses and changes in net assets for the year then ended, on the basis described in Note B.

Benda, Grace, Stulz & Company, P.C.

Ferndale, Michigan
December 17, 2009

AFGHAN INSTITUTE OF LEARNING
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS –
MODIFIED CASH BASIS

December 31, 2008

ASSETS

CURRENT ASSETS

Cash \$ 317,441

PROPERTY AND EQUIPMENT

Construction in progress 213,888
Transportation equipment 26,137
Office equipment 26,414
Leasehold improvements 301,956
Furniture and fixtures 2,927
571,322

Less – accumulated depreciation 46,712

Net property and equipment 524,610

OTHER ASSETS

Security deposits 88
Deposit on land 37,974

Total other assets 38,062

TOTAL ASSETS

\$ 880,113

LIABILITIES AND NET ASSETS

LIABILITIES

Loan payable – Creating Hope International \$ 63,670
Other liabilities 241

Total liabilities 63,911

NET ASSETS

816,202

TOTAL LIABILITIES AND
NET ASSETS

\$ 880,113

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

AFGHAN INSTITUTE OF LEARNING
STATEMENT OF SUPPORT, REVENUE AND EXPENSES –
MODIFIED CASH BASIS

For the year ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>REVENUES</u>			
Program income	\$ 40,199	\$ -	\$ 40,199
Donor income – overseas	-	411,412	411,412
Donor income – CHI distribution	<u>-</u>	<u>580,000</u>	<u>580,000</u>
<u>TOTAL REVENUES</u>	<u>40,199</u>	<u>991,412</u>	<u>1,031,611</u>
<u>EXPENSES</u>			
Program services	9,233	745,287	754,520
Supporting services – General and administrative	<u>-</u>	<u>19,615</u>	<u>19,615</u>
<u>TOTAL EXPENSES</u>	<u>9,233</u>	<u>764,902</u>	<u>774,135</u>
<u>CHANGE IN NET ASSETS</u>	<u>\$ 30,966</u>	<u>\$ 226,510</u>	<u>\$ 257,476</u>

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

AFGHAN INSTITUTE OF LEARNING
STATEMENT OF CHANGES IN NET ASSETS –
MODIFIED CASH BASIS

For the year ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total</u>
<u>BALANCES</u>				
January 1, 2008	\$ -	\$ 584,812	\$ -	\$ 584,812
<u>COMPREHENSIVE INCOME</u>				
Change in net assets	30,966	226,510	-	257,476
Other comprehensive income - Net change in unrealized gain/loss of foreign currency translation adjustments	<u>-</u>	<u>-</u>	<u>(26,086)</u>	<u>(26,086)</u>
Total comprehensive income	<u>30,966</u>	<u>226,510</u>	<u>(26,086)</u>	<u>231,390</u>
<u>BALANCES</u>				
December 31, 2008	<u>\$ 30,966</u>	<u>\$ 811,322</u>	<u>\$ (26,086)</u>	<u>\$ 816,202</u>

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

AFGHAN INSTITUTE OF LEARNING

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2008

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Salaries and wages	\$ 450,716	\$ -	\$ 450,716
Utilities	48,126	-	48,126
Student stipends	38,986	-	38,986
Rent expense	35,892	-	35,892
Insurance	30,224	-	30,224
Travel	24,669	-	24,669
Clinic supplies	22,392	-	22,392
Depreciation	18,050	-	18,050
Training materials	15,985	-	15,985
Maintenance	15,037	-	15,037
Transportation	9,460	-	9,460
Meals and lodging	9,416	-	9,416
Scholarships	9,297	-	9,297
Printing	6,058	-	6,058
Telephone	5,036	-	5,036
Internet	4,716	-	4,716
Vehicle rental	4,304	-	4,304
Children's meals	4,246	-	4,246
Bank charges	1,004	-	1,004
Membership fees	520	-	520
Office expense	250	-	250
Taxes	136	-	136
Consultant fees	-	10,524	10,524
Administrative costs	-	9,091	9,091
	<u> </u>	<u> </u>	<u> </u>
	<u>\$ 754,520</u>	<u>\$ 19,615</u>	<u>\$ 774,135</u>

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

AFGHAN INSTITUTE OF LEARNING
NOTES TO FINANCIAL STATEMENTS

Note A: **Business Activity**

Afghan Institute of Learning was formed exclusively for charitable, educational, and scientific purposes. The Organization raises the educational, health, social and economic levels of people throughout Afghanistan who are poor, distressed, underprivileged, oppressed or otherwise in need, by providing educational, health, learning and training opportunities for them.

Note B: **Summary of Significant Accounting Policies**

A summary of significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

(a) Basis of Accounting

These financial statements have been prepared on the modified cash basis of accounting. Afghan Institute of Learning maintains its accounting records on the basis of cash receipts and disbursements; consequently, certain revenue and related assets are recognized when paid rather than when the obligation is incurred. The cash basis is modified to record property and equipment purchased as assets, record depreciation of capitalized assets and record liabilities arising from receipt of borrowed cash.

(b) Use of Estimates

The preparation of financial statements 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.

(c) Cash and Cash Equivalents

The Organization considers all investments with immediate liquidity to be cash equivalents and includes them in the cash amount on the statement of financial position.

(d) Support and Revenue

The Organization recognizes contributed support when the funds are received. Contributed support is reported as unrestricted or as restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of support, revenues and expenses – modified cash basis as net assets released from restrictions.

AFGHAN INSTITUTE OF LEARNING
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note B: **Summary of Significant Accounting Policies** (Continued)

(e) Property and Equipment

Construction in progress is carried at cost. Leasehold improvements, furniture and fixtures, transportation and office equipment are carried at cost, less accumulated depreciation and amortization. Leasehold improvements, furniture and fixtures, transportation and office equipment are depreciated using the straight-line method over the estimated useful lives of the assets.

(f) Classification of Net Assets

Net assets are classified as permanently restricted, temporarily restricted or unrestricted depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in these assets. Donor imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets.

Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor.

(g) Functional Allocation of Expenses

Expenses are charged to each program based on direct expenditures incurred. Any expenditures incurred. Any expenditures not directly chargeable and/or supporting services are allocated to a program based on a proration of such expenses. This proration is based on an analysis of personnel time and space utilized for related activities.

Note C: **Exchange Rate Gains and Losses**

The financial position and results of operations of the Organization are measured using the local foreign currency as the functional currency. Revenues and expenses of the Organization have been translated into U.S. dollars at average exchange rates prevailing during the period. Assets and liabilities have been translated at the rates of exchange on December 31, 2008. The resulting translation gain and loss adjustments are recorded directly as a separate component of net assets as accumulated other comprehensive income, unless there is a sale or complete liquidation of the underlying Organization or one of its divisions/locations. Foreign currency translation adjustments resulted in a loss of \$26,086 in 2008.

AFGHAN INSTITUTE OF LEARNING
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note D: Loan Payable/Related Party Transactions

The Organization has entered into transactions and carries balances with a related party as follows:

Related Party: Creating Hope International (CHI)

Relationship: An officer of CHI is the executive director of the Organization. CHI is the fiscal sponsor for the Organization for this purpose, CHI acts as the Organization's agent whereby they collect and disburse funds on behalf of the Organization as stipulated by the grants received.

Description of transactions and balances:

Grant funds designated for use by the Organization are held by CHI for disbursement as determined by the Board of Directors.

During the year, \$580,000 in grant revenue was received from CHI and, as of December 31, 2008, \$212,686 in grant revenue was held on deposit with CHI, in its capacity as the fiscal sponsor.

During the year, CHI agreed to loan the Organization up to \$400,000 for the construction of buildings and the purchase of equipment. The balance of the loan as of December 31, 2008 was \$63,670, bears no interest and is due December 31, 2011.

Note E: Risks and Uncertainties

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization placed its cash and cash equivalents on deposit with Bank Alfalah, Ltd. in Pakistan and Afghanistan. There is no deposit insurance available for these funds.

The Organization has expended funds to erect facilities on land which it does not own. There is risk that the owners of the land could rescind their agreement to allow the Organization the use of the land and the facilities would be lost, without compensation.