

statement of activities and changes in net assets

Year ended December 31, 2001 with summarized information for 2000

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2001</u>	<u>Total 2000</u>
Public support and revenue					
Public support					
Contributions	\$6,185,721	\$33,534	\$ -	\$6,219,255	\$6,126,532
Income from outside trusts	132,714	-	-	132,714	139,987
Legacies and bequests	<u>1,228,703</u>	<u>-</u>	<u>100,000</u>	<u>1,328,703</u>	<u>1,500,427</u>
Total public support	<u>7,547,138</u>	<u>33,534</u>	<u>100,000</u>	<u>7,680,672</u>	<u>7,766,946</u>
Revenue					
Investment income, net of expenses	79,622	-	-	79,622	87,351
Realized gain (loss) on investment transactions	(248,242)	-	-	(248,242)	4,952
Other	<u>17,878</u>	<u>-</u>	<u>-</u>	<u>17,878</u>	<u>8,102</u>
Total revenue	<u>(150,742)</u>	<u>-</u>	<u>-</u>	<u>(150,742)</u>	<u>100,405</u>
Total support and revenue	<u>7,396,396</u>	<u>33,534</u>	<u>100,000</u>	<u>7,529,930</u>	<u>7,867,351</u>
Expenses					
Program services					
Bringing cure, care, to those with leprosy and disabilities					
Rehabilitation	1,392,496	-	-	1,392,496	1,518,203
Finding and Curing Patients	1,279,289	-	-	1,279,289	1,011,939
Training of Professionals	<u>1,017,999</u>	<u>-</u>	<u>-</u>	<u>1,017,999</u>	<u>1,224,909</u>
Total program services	<u>3,689,784</u>	<u>-</u>	<u>-</u>	<u>3,689,784</u>	<u>3,755,051</u>
Patient Education and Research					
Patient Education	501,004	-	-	501,004	475,892
Research	<u>497,115</u>	<u>-</u>	<u>-</u>	<u>497,115</u>	<u>292,043</u>
Total patient education and research	<u>998,119</u>	<u>-</u>	<u>-</u>	<u>998,119</u>	<u>767,935</u>
Total program services	<u>4,687,903</u>	<u>-</u>	<u>-</u>	<u>4,687,903</u>	<u>4,522,986</u>
Supporting services					
Fund-raising	2,386,134	-	-	2,386,134	2,045,041
Management and general	<u>628,957</u>	<u>-</u>	<u>-</u>	<u>628,957</u>	<u>566,905</u>
Total supporting services	<u>3,015,091</u>	<u>-</u>	<u>-</u>	<u>3,015,091</u>	<u>2,611,946</u>
Total expenses	<u>7,702,994</u>	<u>-</u>	<u>-</u>	<u>7,702,994</u>	<u>7,134,932</u>
Other changes in net assets					
Actuarial gain on annuity and uni-trust obligations	-	53,577	-	53,577	184,452
Net unrealized losses on long-term investments	(266,040)	(33,668)	-	(299,708)	(468,137)
Change in beneficial interest in perpetual trusts	<u>-</u>	<u>-</u>	<u>(512,766)</u>	<u>(512,766)</u>	<u>(346,318)</u>
Total other changes	<u>(266,040)</u>	<u>19,909</u>	<u>(512,766)</u>	<u>(758,897)</u>	<u>(630,003)</u>
Changes in net assets	(572,638)	53,443	(412,766)	(931,961)	102,416
Net assets					
Beginning of year	<u>7,641,488</u>	<u>781,488</u>	<u>5,048,425</u>	<u>13,471,401</u>	<u>13,368,985</u>
End of year	<u>\$7,068,850</u>	<u>\$834,931</u>	<u>\$4,635,659</u>	<u>\$12,539,440</u>	<u>\$13,471,401</u>



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statement of cash flows

Years ended December 31, 2001 and 2000

	2001	2000
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash flows from operating activities		
Cash received from contributors	\$7,712,651	\$7,117,517
Interest and dividends received	157,320	175,389
Grants paid	(3,701,447)	(3,646,035)
Cash paid for other expenditures	<u>(3,705,864)</u>	<u>(3,397,356)</u>
Net cash provided by operating activities	<u>462,660</u>	<u>249,515</u>
Cash flows from investing activities		
Purchase of equipment	(108,941)	(198,522)
Purchase of investments	(725,304)	(873,221)
Proceeds from sale of real estate held for investment, net	188,960	-
Proceeds from sale of investments	1,916,833	818,327
Net change in cash and cash equivalents – long term	(1,704,017)	209,467
Proceeds from mortgages receivable	<u>1,605</u>	<u>1,603</u>
Net cash used for investing activities	<u>(430,864)</u>	<u>(42,346)</u>
Cash flows from financing activities		
Payments made to annuitants	(85,277)	(94,203)
Payments made under trust agreements	(72,444)	(101,718)
Payments made on capital lease	(17,521)	(15,739)
Proceeds from contributions restricted for – investment subject to annuity agreements	72,250	83,000
Endowment	<u>100,000</u>	<u>-</u>
Net cash used for financing activities	<u>(2,992)</u>	<u>(128,660)</u>
Net increase in cash and cash equivalents	28,804	78,509
Cash and cash equivalents		
Beginning of year	<u>676,154</u>	<u>597,645</u>
End of year	<u>\$704,958</u>	<u>\$676,154</u>

	2001	2000
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Change in net assets	\$(931,961)	\$102,416
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation	205,321	179,551
(Gain) loss on sale of investments	248,242	(4,952)
Actuarial (gain) loss on annuity obligations	(53,577)	(184,452)
Non-cash contributions – net of obligation assumed	(60,144)	(275,161)
Non-cash interest and dividends	(753)	(844)
Change in unrealized depreciation	299,708	468,137
Contributions restricted for long-term investment	(133,534)	(36,701)
Change in beneficial interest in perpetual trusts	512,766	346,318
Interest and dividends restricted for long-term investment	73,743	90,378
Increase in cash value of life insurance policies held	(1,118)	(991)
(Increase) decrease in		
Accrued interest receivable	4,708	(1,496)
Accounts receivable and advances	27,522	(50,990)
Legacy receivable	380,000	(456,800)
Pledges receivable	(171,103)	112,122
Prepaid expenses and deposits	(3,715)	26,421
Increase (decrease) in		
Accounts payable	<u>66,555</u>	<u>(63,441)</u>
Net cash provided by operating activities	<u>\$462,660</u>	<u>\$249,515</u>

We have audited the accompanying statement of financial position of American Leprosy Missions, Inc. (ALM International) as of December 31, 2001, and the related statements of activities and changes in net assets, of functional expenses and of cash flows for the year 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 audit. The prior year summarized comparative information has been derived from American Leprosy Missions, Inc. (ALM International) 2000 financial statements and, in our report dated February 17, 2001, we expressed an unqualified opinion on those financial statements.

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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Leprosy Missions, Inc. (ALM International) at December 31, 2001, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements referred to in the first paragraph taken as a whole. The accompanying supplemental information for program service grants, Page 11, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Tait, Weller & Baker, CPAs
Philadelphia, Pennsylvania
February 23, 2002

statement of functional expense

Year ended December 31, 2001 with summarized information

Salaries
Employee health, retirement & other
Payroll taxes
Total salaries & related expenses
Occupancy
Office supplies & program materials
Professional fees & contract services
Travel, conferences, conventions & meetings
Printing, postage & publications
Awards & grants
Media
New donor costs
Depreciation
Miscellaneous

statement of financial position

Year ended December 31, 2001 with summarized information for 2000

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2001	Total 2000
CURRENT ASSETS					
Cash and cash equivalents	\$701,432	\$3,526	\$ -	\$704,958	\$676,154
Accrued interest receivable	-	18,021	-	18,021	22,729
Accounts receivable and advances	34,324	-	-	34,324	54,323
Bequest receivable	304,600	-	-	304,600	684,600
Pledges receivable	389,775	-	-	389,775	218,672
Prepaid expenses and deposits	109,309	-	-	109,309	105,009
Mortgages receivable	-	1,952	-	1,952	1,760
Due from other net assets	16,764	1,000	104,625	i	i
Total current assets	<u>1,556,204</u>	<u>24,499</u>	<u>104,625</u>	<u>1,562,939</u>	<u>1,763,247</u>
OTHER ASSETS					
Mortgages receivable	-	84,912	-	84,912	86,709
Real estate held for investment	100,000	-	-	100,000	296,484
Land, building and equipment (Note 2)	1,203,703	-	-	1,203,703	1,300,083
Long-term investments (Note 3)	4,384,992	1,867,780	349,668	6,602,440	6,601,723
Beneficial interest in perpetual trusts (Note 5)	-	-	4,181,366	4,181,366	4,694,132
Other	32,506	-	-	32,506	31,973
Total other assets	<u>5,721,201</u>	<u>1,952,692</u>	<u>4,531,034</u>	<u>12,204,927</u>	<u>13,011,104</u>
Total assets	<u>\$7,277,405</u>	<u>\$1,977,191</u>	<u>\$4,635,659</u>	<u>\$13,767,866</u>	<u>\$14,774,351</u>
CURRENT LIABILITIES					
Accounts payable	\$187,250	\$ -	\$ -	\$187,250	\$120,695
Leases payable (Note 4)	21,305	-	-	21,305	38,826
Due to other net assets	-	122,389	-	i	i
Total current liabilities	<u>208,555</u>	<u>122,389</u>	<u>-</u>	<u>208,555</u>	<u>159,521</u>
OTHER LIABILITIES					
Refundable advance	-	84,292	-	84,292	92,996
Uni-trust and annuity obligations	-	935,579	-	935,579	1,050,433
Total other liabilities	<u>-</u>	<u>1,019,871</u>	<u>-</u>	<u>1,019,871</u>	<u>1,143,429</u>
NET ASSETS					
Unrestricted					
Operating	2,216,505	-	-	2,216,505	2,332,473
Reserve	4,467,195	-	-	4,467,195	5,058,569
Pledges receivable	389,775	-	-	389,775	218,672
Quasi-endowment	(4,625)	-	-	(4,625)	31,774
Temporarily restricted (Note 5)					
Life Income Agreements	-	732,331	-	732,331	709,530
Segregated Gift Annuity Agreements	-	102,600	-	102,600	71,958
Uni-trust and Annuity Agreements	-	-	-	-	-
Permanently restricted (Note 5)					
Total net assets	<u>7,068,850</u>	<u>834,931</u>	<u>4,635,659</u>	<u>12,539,440</u>	<u>13,471,401</u>
Total liabilities and net assets	<u>\$7,277,405</u>	<u>\$1,977,191</u>	<u>\$4,635,659</u>	<u>\$13,767,866</u>	<u>\$14,774,351</u>

i Interfund balances eliminated in combination

	Bringing Cure and Care to Those with Leprosy and Disabilities			Patient Education and Research			Supporting Services			Total Expenses	
	Rehabilitation	Finding and curing	Training of Professionals	Patient Education	Research	Total 2000	Fund Raising	Mgmt. and General	Total 2001	2001	2000
ion for 2000	\$145,932	\$141,613	\$106,685	\$52,505	\$52,097	\$498,832	\$415,091	\$279,986	\$695,077	\$1,193,909	\$1,100,450
her benefits	33,738	32,739	24,664	12,136	12,044	115,321	121,828	72,575	194,403	309,724	309,084
	<u>11,128</u>	<u>10,798</u>	<u>8,135</u>	<u>4,004</u>	<u>3,973</u>	<u>38,038</u>	<u>31,161</u>	<u>20,275</u>	<u>51,436</u>	<u>89,474</u>	<u>82,982</u>
ses	190,798	185,150	139,484	68,645	68,114	652,191	568,080	372,836	940,916	1,593,107	1,492,516
	18,141	17,604	13,262	6,530	6,476	62,013	42,249	46,109	88,358	150,371	148,295
als	1,649	1,600	1,205	594	589	5,637	7,045	5,792	12,837	18,474	16,379
ice payments	2,518	2,444	1,841	905	898	8,606	30,063	42,325	72,388	80,994	87,657
& meetings	35,692	34,636	26,093	12,842	12,742	122,005	107,152	27,290	134,442	256,447	236,017
	1,787	1,734	1,307	643	638	6,109	589,598	16,932	606,530	612,639	528,671
	1,112,009	1,007,105	812,948	400,087	396,984	3,729,133	-	-	-	3,729,133	3,646,035
	-	-	-	-	-	-	575,790	-	575,790	575,790	326,993
	-	-	-	-	-	-	408,134	-	408,134	408,134	405,937
	27,448	26,636	20,066	9,876	9,799	93,825	48,951	62,545	111,496	205,327	179,551
	<u>2,454</u>	<u>2,380</u>	<u>1,793</u>	<u>882</u>	<u>875</u>	<u>8,384</u>	<u>9,072</u>	<u>55,128</u>	<u>64,200</u>	<u>72,584</u>	<u>66,881</u>
	\$1,392,496	\$1,279,289	\$1,017,999	\$501,004	\$497,115	\$4,687,903	\$2,386,134	\$628,957	\$3,015,091	\$7,702,994	\$7,134,932

notes to financial statements

Years ended December 31, 2001 and 2000

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PURPOSE: American Leprosy Missions, Inc. ("ALM") is incorporated pursuant to the provisions of the Membership Corporation Law of the State of New York. As a non-profit organization, it is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The mission of ALM is to serve as a channel of the love of Christ to persons with Hansen's Disease (Leprosy) and to those with disabilities, helping them to be healed in body and spirit, and to be restored to lives of dignity and usefulness within their communities.

ACCOUNTING ESTIMATES: In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

CASH EQUIVALENTS: All highly liquid investments purchased with a maturity of three months or less are considered to be cash equivalents.

CONCENTRATION OF CREDIT RISK: ALM occasionally maintains deposits in excess of federally insured limits. Statement of Financial Accounting Standards No. 105 identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions.

REAL ESTATE HELD FOR INVESTMENT: Donated real estate held for investment is stated at estimated fair market value at date of receipt plus subsequent capitalized expenses and betterment's at cost.

BUILDING AND EQUIPMENT: Building and equipment is recorded at cost. Equipment acquired prior to January 1, 1974 is recorded at estimated fair market value. Depreciation is provided on the straight-line method over the estimated life of the asset - 3 to 10 years for equipment and 30 years for building.

LONG-TERM INVESTMENTS: Long-term investments consist of marketable securities which are stated at market.

LIFE INCOME AGREEMENTS: The funds held subject to life income provisions include amounts held subject to the payment to life beneficiaries of stated amounts in the case of gift annuities and uni-trusts. On maturity, the remainder interests revert to the organization. In accordance with provisions of the New York State Insurance Laws and the U.S. Internal Revenue Code, the assets of the segregated gift annuity are segregated from other assets of the organization. The agreements with the donors of the revocable gift fund provide that the excess income from the investment of the fund assets, over stated interest rate payments to beneficiaries, is to be available for unrestricted use unless stated to the contrary. Under the terms of the gift agreements, the donors may request the return of the principal. The actuarial valuations of the gift annuities and uni-trusts are recorded as annuity/uni-trust obligations and the entire revocable trust is recorded as a refundable advance due to the right of return of funds to the donor. The present value of the segregated gift annuities and other annuities and uni-trust agreements was determined using a discount rate of 7%.

CONTRIBUTIONS: ALM reports gifts of cash and other assets as unrestricted support if they are received with donor stipulations that limit the use of the donated assets and these donor stipulations are met in the same reporting period. However, contributions for life income agreements are recorded as restricted support. When the donor restriction expires, that is, when the stipulated time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

PLEDGES RECEIVABLE: Unconditional promises to give are included in the financial statements as pledges receivable and the related contribution revenue is recorded in the unrestricted net assets. Pledges are recorded net of an allowance for uncollectible pledges. All pledges receivable at December 31, 2001 are expected to be received within one year.

FUNCTIONAL ALLOCATION OF EXPENSES: The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

PRIOR YEAR INFORMATION: 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 ALM's audited financial statements for the year ended December 31, 2000, from which the summarized information was derived.

RECLASSIFICATIONS: Certain reclassifications have been made to the 2000 financial statements to conform to the 2001 presentation.

(2) LAND, BUILDING AND EQUIPMENT: Land, building and equipment at December 31 are summarized as follows:

	2001	2000
Land	\$285,675	\$285,675
Building and improvements	957,314	952,667
Equipment	2,100,798	1,996,504
	3,343,787	3,234,846
Less accumulated depreciation	2,140,084	1,934,763
	<u>\$1,203,703</u>	<u>\$1,300,083</u>

(3) LONG-TERM INVESTMENTS: Cost and market values at December 31 are summarized as follows:

The components of marketable securities at December 31 are:

	2001		2000	
	Cost	Market	Cost	Market
Net Assets				
Unrestricted	\$4,494,249	\$4,384,992	\$4,189,700	\$4,311,606
Temporarily Restricted				
Revocable Gift Agreements	67,370	84,292	74,498	92,996
Segregated Gift Annuity Agreements	1,106,594	1,121,091	1,101,887	1,129,569
Uni-trust and Annuity Agreements	708,186	662,397	707,366	681,485
	1,882,150	1,867,780	1,883,751	1,904,050
Permanently restricted	368,283	349,668	369,313	386,067
Total	<u>\$6,744,682</u>	<u>\$6,602,440</u>	<u>\$6,442,764</u>	<u>\$6,601,723</u>

At December 31, 2001 and 2000, the portfolio of marketable securities had unrealized gains (losses) of \$(142,242) and \$158,959, respectively

	2001		2000	
	Cost	Market	Cost	Market
Cash and cash equivalents	\$2,157,395	\$2,157,395	\$453,378	\$453,378
U.S. Government Treasury securities	495,548	532,564	618,310	648,364
Corporate bonds	431,201	447,507	484,058	481,147
Common and preferred stock	1,935,065	1,819,858	3,360,133	3,528,506
Mutual funds	1,725,473	1,645,116	1,526,885	1,490,328
	<u>\$6,744,682</u>	<u>\$6,602,440</u>	<u>\$6,442,764</u>	<u>\$6,601,723</u>

Investment income in the statement of activities and changes in net assets is shown net of \$54,112 and \$53,831 of investment management fees for the years ended December 31, 2001 and 2000, respectively.

(4) LEASE COMMITMENTS

ALM leases office equipment under capital leases expiring in 2002 and 2003. The related property is included in equipment at December 31, 2001, at a cost of \$80,422. Depreciation expense of \$56,295 has been recognized on this property as of December 31, 2001. Future annual minimum lease payments under the capital leases together with the present value of the net minimum lease payments are as follows:

Year ending December 31,	
2002	\$19,500
2003	3,348
Total minimum lease payments	22,848
Less amount representing interest	<u>1,102</u>
Present value of minimum lease payments	<u>\$21,746</u>

(5) NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2001	2000
Segregated Gift Annuity Agreements	\$732,331	\$709,530
Uni-trust and Annuity Agreements	<u>102,600</u>	<u>71,958</u>
	<u>\$834,931</u>	<u>\$781,488</u>

Permanently restricted net assets are available for the following purpose:

	2001	2000
Investment in perpetuity, the income from which is expendable to support any activities of the organization	\$454,293	\$354,293
Beneficial interest in perpetual trusts	<u>4,181,366</u>	<u>4,694,132</u>
	<u>\$4,635,659</u>	<u>\$5,048,425</u>

(6) PENSION PLANS

ALM contributes to a defined contribution plan covering substantially all of its employees. Contributions to the plan are based upon earnings and are accrued and funded on a current basis. Pension expense was approximately \$136,000 and \$143,000 for the years ended December 31, 2001 and 2000, respectively.