

statement of activities and changes in net assets

Year ended December 31, 2003 with summarized information for 2002

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2003</u>	<u>Total 2002</u>
Public support and revenue					
Public support					
Contributions	\$5,350,898	\$532,923	-	\$5,883,821	\$6,829,400
Income from outside trusts	100,427	-	-	100,427	122,210
Legacies and bequests	663,963	-	-	663,963	761,970
Total public support	6,115,288	532,923	-	6,648,211	7,713,580
Revenue					
Investment income, net of expenses	38,676	-	-	38,676	55,896
Realized loss on investment transactions	(136,263)	-	-	(136,263)	(391,192)
Other 7,334	-	-	7,334	15,184	-
Total revenue (loss)	(90,253)	-	-	(90,253)	(320,112)
Net assets released from restrictions (Note 5)	795,842	(795,842)	-	-	-
Total support and revenue	<u>6,820,877</u>	<u>(262,919)</u>	<u>-</u>	<u>6,557,958</u>	<u>7,393,468</u>
Expenses					
Program services					
Bringing Cure, Care to Those with Leprosy and Disabilities					
Rehabilitation	1,554,923	-	-	1,554,923	1,464,861
Treatment	1,791,372	-	-	1,791,372	2,091,016
Training of Professionals	533,834	-	-	533,834	767,654
	<u>3,880,129</u>	<u>-</u>	<u>-</u>	<u>3,880,129</u>	<u>4,323,531</u>
Patient Education and Research					
Patient Education	176,217	-	-	176,217	280,044
Research	1,002,170	-	-	1,002,170	693,390
	<u>1,178,387</u>	<u>-</u>	<u>-</u>	<u>1,178,387</u>	<u>973,434</u>
Total program services	<u>5,058,516</u>	<u>-</u>	<u>-</u>	<u>5,058,516</u>	<u>5,296,965</u>
Supporting services					
Fund-raising	2,093,086	-	-	2,093,086	2,241,359
Management and general	560,375	-	-	560,375	610,679
Total supporting services	<u>2,653,461</u>	<u>-</u>	<u>-</u>	<u>2,653,461</u>	<u>2,852,038</u>
Total expenses	<u>7,711,977</u>	<u>-</u>	<u>-</u>	<u>7,711,977</u>	<u>8,149,003</u>
Other changes in net assets					
Actuarial loss on annuity and uni-trust obligations	-	(59,450)	-	(59,450)	(84,331)
Net unrealized gains (losses) on long-term investments	654,450	53,645	-	708,095	(158,558)
Change in beneficial interest in perpetual trusts	-	-	645,920	645,920	(765,049)
Total other changes	<u>654,450</u>	<u>(5,805)</u>	<u>645,920</u>	<u>1,294,565</u>	<u>(1,007,938)</u>
Changes in net assets	<u>(236,650)</u>	<u>(268,724)</u>	<u>645,920</u>	<u>140,546</u>	<u>(1,763,473)</u>
Net assets					
Beginning of year	6,139,476	635,080	4,001,411	10,775,967	12,539,440
End of year	<u>\$5,902,826</u>	<u>\$366,356</u>	<u>\$4,647,331</u>	<u>\$10,916,513</u>	<u>\$10,775,967</u>



statement of cash flows

years ended December 31, 2003 and 2002

Board of Directors
American Leprosy Missions, Inc.
(ALM International)
Greenville, South Carolina

	2003	2002
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash flows from operating activities		
Cash received from contributors	\$6,896,307	\$7,265,642
Interest and dividends received	69,554	115,015
Grants paid	(4,167,734)	(4,423,489)
Cash paid for other expenditures	(3,052,735)	(3,920,721)
Net cash used for operating activities	<u>(254,608)</u>	<u>(963,553)</u>
Cash flows from investing activities		
Purchase of equipment	(103,387)	(19,207)
Purchase of investments	(4,115,851)	(1,961,968)
Proceeds from sale of investments	3,697,392	1,968,917
Net change in cash and cash equivalents – long term	734,622	634,101
Proceeds from mortgages receivable	-	86,864
Net cash provided by investing activities	<u>212,776</u>	<u>708,707</u>
Cash flows from financing activities		
Payments made to annuitants	(71,820)	(79,927)
Payments made under trust agreements	(51,980)	(67,562)
Payments made on capital lease	(3,366)	(17,939)
Proceeds from contributions restricted for –		
Investment subject to annuity agreements	41,120	71,500
Endowment	-	130,801
Net cash provided by (used for) financing activities	<u>(86,046)</u>	<u>36,873</u>
Net decrease in cash and cash equivalents	<u>(127,878)</u>	<u>(217,973)</u>
Cash and cash equivalents		
Beginning of year	<u>486,985</u>	<u>704,958</u>
End of year	<u>\$359,107</u>	<u>\$486,985</u>

We have audited the accompanying statement of financial position of American Leprosy Missions, Inc. (ALM International) as of December 31, 2003, 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) 2002 financial statements and, in our report dated February 23, 2003, 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, 2003, 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 28, 2004

	2003	2002
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Change in net assets	\$140,546	\$(1,763,473)
Adjustments to reconcile		
change in net assets to net cash provided by (used for) operating activities		
Depreciation	163,667	196,814
Loss on sale of investments	136,263	391,192
Actuarial loss on annuity obligations	59,450	84,331
Non-cash contributions	(20,079)	(49,640)
Non-cash interest and dividends	-	(111)
Change in unrealized (appreciation) depreciation	(708,095)	158,558
Contributions restricted for long-term investment	(18,142)	(155,891)
Change in beneficial interest in perpetual trusts	(645,920)	765,049
Interest and dividends restricted for long-term investment	31,919	48,711
(Increase) decrease in		
Accrued interest receivable	(1,043)	10,519
Accounts receivable and advances	92,308	(125,764)
Legacy receivable	40,000	40,000
Pledges receivable	238,983	(297,590)
Prepaid expenses and deposits	137,335	(131,006)
Increase (decrease) in		
Accounts payable	<u>98,200</u>	<u>(135,252)</u>
Net cash used for operating activities	<u>(\$254,608)</u>	<u>(\$963,553)</u>

statement of functional ex

Year ended December 31, 2003 with summarized infor

Salaries
Employee health, retirement
Payroll taxes
Total salaries & related e
Occupancy
Office supplies & program m
Professional fees & contract :
Travel, conferences, conventio
Printing, postage & publicatio
Awards & grants
Media
New donor costs
Depreciation
Miscellaneous

Statement of financial position

as of and ended December 31, 2003 with summarized information for 2002

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2002	Total 2001
CURRENT ASSETS					
Cash and cash equivalents	\$337,773	\$21,334	-	\$359,107	\$486,985
Accrued interest receivable	-	8,545	-	8,545	7,502
Accounts receivable and advances	67,780	-	-	67,780	160,088
Bequest receivable	224,600	-	-	224,600	264,600
Pledges receivable (Note 2)	64,431	216,366	-	280,797	608,046
Prepaid expenses and deposits	103,368	-	-	103,368	240,315
Due from other net assets	665,517	-	-	i	i
Total current assets	<u>1,463,469</u>	<u>246,245</u>	<u>-</u>	<u>1,044,197</u>	<u>1,767,536</u>
OTHER ASSETS					
Pledges receivable (Note 2)	-	167,585	-	167,585	79,319
Real estate held for investment	100,000	-	-	100,000	100,000
Land, building and equipment (Note 3)	965,816	-	-	965,816	1,026,096
Long-term investments (Note 4)	3,489,665	1,593,006	630,350	5,713,021	5,401,749
Beneficial interest in perpetual trusts (Note 5)	-	-	4,062,237	4,062,237	3,416,317
Other	32,118	-	-	32,118	32,506
Total other assets	<u>4,587,599</u>	<u>1,760,591</u>	<u>4,692,587</u>	<u>11,040,777</u>	<u>10,055,987</u>
Total assets	<u>6,051,068</u>	<u>2,006,836</u>	<u>4,692,587</u>	<u>12,084,974</u>	<u>11,823,523</u>
CURRENT LIABILITIES					
Accounts payable	\$148,242	\$1,956	-	\$150,198	\$51,998
Leases payable	-	-	-	3,366	-
Due to other net assets	-	620,261	45,256	i	i
Total current liabilities	<u>148,242</u>	<u>622,217</u>	<u>45,256</u>	<u>150,198</u>	<u>55,364</u>
OTHER LIABILITIES					
Refundable advance	-	95,228	-	95,228	77,291
Uni-trust and annuity obligations	-	923,035	-	923,035	914,901
Total other liabilities	<u>-</u>	<u>1,018,263</u>	<u>-</u>	<u>1,018,263</u>	<u>992,192</u>
NET ASSETS					
Unrestricted					
Operating	2,078,002	-	-	2,078,002	2,777,844
Reserve	3,824,824	-	-	3,824,824	3,361,632
Temporarily restricted (Note 5)					
Life Income Agreements	-	318,722	-	318,722	506,385
Other	-	47,634	-	47,634	128,695
Permanently restricted (Note 5)					
Total net assets	<u>5,902,826</u>	<u>366,356</u>	<u>4,647,331</u>	<u>10,916,513</u>	<u>10,775,967</u>
Total liabilities and net assets	<u>\$6,051,068</u>	<u>\$2,006,836</u>	<u>\$4,692,587</u>	<u>\$12,084,974</u>	<u>\$11,823,523</u>

i Interfund balances eliminated in combination

Categories	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 2003	Fund Raising	Mgmt. and General	Total 2003	2003	2002
for 2002	\$123,991	\$142,846	\$42,568	\$14,052	\$79,913	\$403,370	\$256,949	\$238,653	\$495,602	\$898,972	\$1,078,097
benefits	38,037	43,821	13,059	4,311	24,514	123,742	104,089	75,280	179,369	303,111	327,364
	<u>9,168</u>	<u>10,562</u>	<u>3,148</u>	<u>1,039</u>	<u>5,909</u>	<u>29,826</u>	<u>19,098</u>	<u>16,824</u>	<u>35,922</u>	<u>65,748</u>	<u>76,988</u>
	<u>171,196</u>	<u>197,229</u>	<u>58,775</u>	<u>19,402</u>	<u>110,336</u>	<u>556,938</u>	<u>380,136</u>	<u>330,757</u>	<u>710,893</u>	<u>1,267,831</u>	<u>1,482,449</u>
	13,704	15,788	4,705	1,553	8,832	44,582	27,157	33,554	60,711	105,293	121,149
payments	876	1,009	301	99	564	2,849	1,834	3,950	5,784	8,633	13,305
etings	1,050	1,210	361	119	677	3,417	4,485	62,456	66,941	70,358	65,299
	25,556	29,442	8,774	2,896	16,472	83,140	25,728	20,952	46,680	129,820	109,863
	734	846	252	83	473	2,388	350,446	3,865	354,311	356,699	569,788
	1,310,344	1,509,603	449,865	148,500	844,539	4,262,851	-	-	-	4,262,851	4,335,155
	-	-	-	-	-	-	855,733	-	855,733	855,733	631,183
	-	-	-	-	-	-	408,852	-	408,852	408,852	552,338
	23,142	26,661	7,945	2,623	14,916	75,287	39,280	49,100	88,380	163,667	196,814
	<u>8,321</u>	<u>9,584</u>	<u>2,856</u>	<u>942</u>	<u>5,361</u>	<u>27,064</u>	<u>-565</u>	<u>55,741</u>	<u>55,176</u>	<u>82,240</u>	<u>71,660</u>
	<u>\$1,554,923</u>	<u>\$1,791,372</u>	<u>\$533,834</u>	<u>\$176,217</u>	<u>\$1,002,170</u>	<u>\$5,058,516</u>	<u>\$2,093,086</u>	<u>\$560,375</u>	<u>\$2,653,461</u>	<u>\$7,711,977</u>	<u>\$8,149,003</u>

notes to financial statements

Years ended December 31, 2003 and 2002

(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 and temporarily restricted. Pledges are recorded net of an allowance for uncollectible pledges.

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.

NET ASSETS

ALM applies the Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations" ("SFAS No. 117"). Under the provisions of SFAS No. 117, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of ALM and changes therein are classified and reported as follows:

Unrestricted net assets include the revenues and expenses associated with the principal mission of ALM. Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met. Permanently restricted net assets include gifts, trusts and pledges which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

(2) PLEDGES RECEIVABLE

Unconditional promises to give are included in the financial statements as pledges receivable of the appropriate net asset category. Pledges are recorded after discounting to the present value of the future cash flows and after recording a reserve for doubtful accounts.

Unconditional promises to give at December 31, 2003 and 2002, respectively, are expected to be realized as follows:

	2003	2002
In one year or less	\$318,637	\$946,279
In one to five years	216,125	93,700
	534,762	1,039,979
Less discount to present value	28,333	10,206
Less reserve for doubtful accounts	58,047	342,408
Net pledges receivable	<u>\$448,382</u>	<u>\$687,365</u>

(3) LAND, BUILDING AND EQUIPMENT

Land, building and equipment at December 31 are summarized as follows:

	2003	2002
Land	\$285,675	\$285,675
Building and improvements	957,314	957,314
Equipment	2,223,070	2,119,681
	3,466,059	3,362,670
Less accumulated depreciation	2,500,243	2,336,574
	<u>\$965,816</u>	<u>\$1,026,096</u>

(4) LONG-TERM INVESTMENTS

Cost and market values at December 31 are summarized as follows:

	2003 Cost	2003 Market	2002 Cost	2002 Market
Net Assets				
Unrestricted	\$3,123,413	\$3,489,665	\$3,407,585	\$3,227,462
Temporarily Restricted				
Revocable Gift Agreements	68,092	100,263	66,814	79,866
Segregated Gift Annuity Agreements	783,381	777,438	920,198	931,057
Uni-trust and Annuity Agreements	760,277	715,305	756,539	641,120
	1,611,750	1,593,006	1,743,551	1,652,043
Permanently restricted	536,715	630,350	555,708	522,244
Total	<u>\$5,271,878</u>	<u>\$5,713,021</u>	<u>\$5,706,844</u>	<u>\$5,401,749</u>

The components of marketable securities at December 31 are:

	2003 Cost	2003 Market	2002 Cost	2002 Market
Cash and cash equivalents	\$788,672	\$788,672	\$1,523,294	\$1,523,294
U.S. Government Treasury securities	1,062,501	1,050,311	337,836	373,744
Corporate and municipal bonds	1,150,636	1,167,190	360,995	384,943
Common and preferred stocks	1,697,352	2,193,829	1,644,896	1,503,255
Mutual funds	572,717	513,019	1,839,823	1,616,513
	<u>\$5,271,878</u>	<u>\$5,713,021</u>	<u>\$5,706,844</u>	<u>\$5,401,749</u>

At December 31, 2003 and 2002, the portfolio of marketable securities had unrealized gains (losses) of \$441,143 and \$(305,095), respectively.

Investment income in the statement of activities and changes in net assets is shown net of \$48,208 and \$46,663 of investment management fees for the years ended December 31, 2003 and 2002, respectively.

(5) NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2003	2002
Life Income Agreements	\$318,722	\$506,386
Other	47,634	128,696
	<u>\$366,356</u>	<u>\$635,081</u>

Permanently restricted net assets are available for the following purpose:

	2003	2002
Investment in perpetuity, the income from which is expendable to support any activities of the organization	\$585,094	\$585,094
Beneficial interest in perpetual trusts	4,062,237	3,416,317
	<u>\$4,647,331</u>	<u>\$4,001,411</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Research	\$560,000
Other	235,842
	<u>\$795,842</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 \$98,400 and \$107,000 for the years ended December 31, 2003 and 2002, respectively.