

*TAIT, WELLER & BAKER LLP*  
*Certified Public Accountants*

**AMERICAN LEPROSY MISSIONS, INC.**  
**(ALM INTERNATIONAL)**

*FINANCIAL STATEMENTS*  
*AND REPORT OF*  
*INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS*

**DECEMBER 31, 2006**

**AMERICAN LEPROSY MISSIONS, INC.  
(ALM INTERNATIONAL)**

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# TAIT, WELLER & BAKER LLP

*Certified Public Accountants*

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying statement of financial position of American Leprosy Missions, Inc. (ALM International) as of December 31, 2006, 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) 2005 financial statements and, in our report dated March 3, 2006, 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) as of December 31, 2006, 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 and other disbursements, Page 12, 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 LLP*

**Philadelphia, Pennsylvania  
March 30, 2007**

**AMERICAN LEPROSY MISSIONS, INC.  
(ALM INTERNATIONAL)**

**STATEMENT OF FINANCIAL POSITION**

**December 31, 2006 with summarized information for 2005**

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |                     |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------|---------------------|
|   |                     |                                   |                                   | <u>2006</u>         | <u>2005</u>         |
| <b>CURRENT ASSETS</b>                                     |                     |                                   |                                   |                     |                     |
| Cash and cash equivalents                                 | \$1,192,627         | \$ 11,448                         | \$ -                              | \$ 1,204,075        | \$ 845,409          |
| Accrued interest receivable                               | -                   | 12,623                            | -                                 | 12,623              | 13,273              |
| Accounts receivable and advances                          | 87,564              | -                                 | -                                 | 87,564              | 228,539             |
| Bequests receivable                                       | 490,000             | -                                 | -                                 | 490,000             | 804,600             |
| Pledges receivable ( <i>Note 2</i> )                      | 80,260              | -                                 | -                                 | 80,260              | 127,546             |
| Prepaid expenses and deposits                             | 65,580              | -                                 | -                                 | 65,580              | 105,756             |
| Due from other net assets                                 | 244,316             | -                                 | -                                 | ★                   | ★                   |
| <b>Total current assets</b>                               | <u>2,160,347</u>    | <u>24,071</u>                     | <u>-</u>                          | <u>1,940,102</u>    | <u>2,125,123</u>    |
| <b>OTHER ASSETS</b>                                       |                     |                                   |                                   |                     |                     |
| Pledges receivable ( <i>Note 2</i> )                      | -                   | -                                 | -                                 | -                   | 37,427              |
| Real estate held for investment                           | 100,000             | -                                 | -                                 | 100,000             | 100,000             |
| Land, building and equipment ( <i>Note 3</i> )            | 820,756             | -                                 | -                                 | 820,756             | 817,116             |
| Long-term investments ( <i>Note 4</i> )                   | 4,775,790           | 1,623,092                         | 783,174                           | 7,182,056           | 6,647,267           |
| Beneficial interest in perpetual trusts ( <i>Note 5</i> ) | -                   | -                                 | 5,009,076                         | 5,009,076           | 4,594,106           |
| Other   | 45,508              | -                                 | -                                 | 45,508              | 36,466              |
| <b>Total other assets</b>                                 | <u>5,742,054</u>    | <u>1,623,092</u>                  | <u>5,792,250</u>                  | <u>13,157,396</u>   | <u>12,232,382</u>   |
| <b>Total assets</b>                                       | <u>\$7,902,401</u>  | <u>\$1,647,163</u>                | <u>\$5,792,250</u>                | <u>\$15,097,498</u> | <u>\$14,357,505</u> |
| <b>CURRENT LIABILITIES</b>                                |                     |                                   |                                   |                     |                     |
| Accounts payable  | \$ 274,105          | \$ -                              | \$ -                              | \$ 274,105          | \$ 212,483          |
| Due to other net assets                                   | -                   | 56,235                            | 188,081                           | ★                   | ★                   |
| <b>Total current liabilities</b>                          | <u>274,105</u>      | <u>56,235</u>                     | <u>188,081</u>                    | <u>274,105</u>      | <u>212,483</u>      |
| <b>OTHER LIABILITIES</b>                                  |                     |                                   |                                   |                     |                     |
| Refundable advance  | -                   | 51,485                            | -                                 | 51,485              | 49,521              |
| Uni-trust and annuity obligations                         | -                   | 987,789                           | -                                 | 987,789             | 797,408             |
| <b>Total other liabilities</b>                            | <u>-</u>            | <u>1,039,274</u>                  | <u>-</u>                          | <u>1,039,274</u>    | <u>846,929</u>      |
| <b>NET ASSETS</b>   |                     |                                   |                                   |                     |                     |
| Unrestricted  |                     |                                   |                                   |                     |                     |
| Operating   | 2,078,960           | -                                 | -                                 | 2,078,960           | 2,093,537           |
| Reserve   | 5,549,336           | -                                 | -                                 | 5,549,336           | 5,637,837           |
| Temporarily restricted ( <i>Note 5</i> )                  |                     |                                   |                                   |                     |                     |
| Life Income Agreements                                    | -                   | 551,654                           | -                                 | 551,654             | 377,520             |
| Permanently restricted ( <i>Note 5</i> )                  | -                   | -                                 | 5,604,169                         | 5,604,169           | 5,189,199           |
| <b>Total net assets</b>                                   | <u>7,628,296</u>    | <u>551,654</u>                    | <u>5,604,169</u>                  | <u>13,784,119</u>   | <u>13,298,093</u>   |
| <b>Total liabilities and net assets</b>                   | <u>\$7,902,401</u>  | <u>\$1,647,163</u>                | <u>\$5,792,250</u>                | <u>\$15,097,498</u> | <u>\$14,357,505</u> |

★ *Interfund balances eliminated in combination*

**AMERICAN LEPROSY MISSIONS, INC.**  
**(ALM INTERNATIONAL)**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

**Year ended December 31, 2006 with summarized information for 2005**

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |                     |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------|---------------------|
|   |                     |                                   |                                   | <u>2006</u>         | <u>2005</u>         |
| <b>Public support and revenue</b>                         |                     |                                   |                                   |                     |                     |
| <b>Public support</b>                                     |                     |                                   |                                   |                     |                     |
| Contributions   | \$6,058,702         | \$ 434,041                        | \$ -                              | \$ 6,492,743        | \$ 6,009,066        |
| Income from outside trusts                                | 102,518             | -                                 | -                                 | 102,518             | 94,544              |
| Legacies and bequests                                     | <u>594,405</u>      | <u>-</u>                          | <u>-</u>                          | <u>594,405</u>      | <u>1,566,506</u>    |
| <b>Total public support</b>                               | <u>6,755,625</u>    | <u>434,041</u>                    | <u>-</u>                          | <u>7,189,666</u>    | <u>7,670,116</u>    |
| <b>Revenue</b>  |                     |                                   |                                   |                     |                     |
| Investment income, net of expenses                        | 150,265             | 28,771                            | -                                 | 179,036             | 126,138             |
| Realized gain (loss) on investment transactions           | 223,182             | (14,259)                          | -                                 | 208,923             | 150,540             |
| Other   | <u>28,857</u>       | <u>-</u>                          | <u>-</u>                          | <u>28,857</u>       | <u>14,175</u>       |
| <b>Total revenue</b>                                      | <u>402,304</u>      | <u>14,512</u>                     | <u>-</u>                          | <u>416,816</u>      | <u>290,853</u>      |
| <b>Net assets released from restrictions (Note 5)</b>     | <u>245,254</u>      | <u>(245,254)</u>                  | <u>-</u>                          | <u>-</u>            | <u>-</u>            |
| <b>Total support and revenue</b>                          | <u>7,403,183</u>    | <u>203,299</u>                    | <u>-</u>                          | <u>7,606,482</u>    | <u>7,960,969</u>    |
| <b>Expenses</b>   |                     |                                   |                                   |                     |                     |
| <b>Program services</b>                                   |                     |                                   |                                   |                     |                     |
| Leprosy Treatment   | 1,962,341           | -                                 | -                                 | 1,962,341           | 2,292,245           |
| Other Diseases  | 171,442             | -                                 | -                                 | 171,442             | 181,633             |
| Training of Professionals                                 | 742,285             | -                                 | -                                 | 742,285             | 742,907             |
| Socio-Economic Services                                   | 1,232,224           | -                                 | -                                 | 1,232,224           | 1,031,221           |
| Research  | <u>948,185</u>      | <u>-</u>                          | <u>-</u>                          | <u>948,185</u>      | <u>790,549</u>      |
| <b>Total program services</b>                             | <u>5,056,477</u>    | <u>-</u>                          | <u>-</u>                          | <u>5,056,477</u>    | <u>5,038,555</u>    |
| <b>Supporting services</b>                                |                     |                                   |                                   |                     |                     |
| Fund-raising  | 2,097,867           | -                                 | -                                 | 2,097,867           | 1,760,817           |
| Management and general                                    | <u>488,540</u>      | <u>-</u>                          | <u>-</u>                          | <u>488,540</u>      | <u>609,385</u>      |
| <b>Total supporting services</b>                          | <u>2,586,407</u>    | <u>-</u>                          | <u>-</u>                          | <u>2,586,407</u>    | <u>2,370,202</u>    |
| <b>Total expenses</b>                                     | <u>7,642,884</u>    | <u>-</u>                          | <u>-</u>                          | <u>7,642,884</u>    | <u>7,408,757</u>    |
| <b>Other changes in net assets</b>                        |                     |                                   |                                   |                     |                     |
| Actuarial gain (loss) on annuity and unitrust obligations | -                   | (38,415)                          | -                                 | (38,415)            | 2,794               |
| Net unrealized gains (losses) on long-term investments    | 136,623             | 9,250                             | -                                 | 145,873             | (50,718)            |
| Change in beneficial interest in perpetual trusts         | <u>-</u>            | <u>-</u>                          | <u>414,970</u>                    | <u>414,970</u>      | <u>243,470</u>      |
| <b>Total other changes</b>                                | <u>136,623</u>      | <u>(29,165)</u>                   | <u>414,970</u>                    | <u>522,428</u>      | <u>195,546</u>      |
| <b>Changes in net assets</b>                              | (103,078)           | 174,134                           | 414,970                           | 486,026             | 747,758             |
| <b>Net assets</b>   |                     |                                   |                                   |                     |                     |
| Beginning of year   | <u>7,731,374</u>    | <u>377,520</u>                    | <u>5,189,199</u>                  | <u>13,298,093</u>   | <u>12,550,335</u>   |
| <b>End of year</b>  | <u>\$7,628,296</u>  | <u>\$ 551,654</u>                 | <u>\$5,604,169</u>                | <u>\$13,784,119</u> | <u>\$13,298,093</u> |

**AMERICAN LEPROSY MISSIONS, INC.**  
**(ALM INTERNATIONAL)**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year ended December 31, 2006 with summarized information for 2005**

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|   | <b>Program Services</b>             |                                  |   |
|---|-------------------------------------|----------------------------------|---|
|   | <b><u>Leprosy<br/>Treatment</u></b> | <b><u>Other<br/>Diseases</u></b> | <b><u>Training of<br/>Professionals</u></b> |
| Salaries  | \$ 193,655                          | \$ 16,919                        | \$ 73,253                                   |
| Payroll taxes                                   | 14,256                              | 1,245                            | 5,393                                       |
| Employee health, retirement, and other benefits | <u>62,066</u>                       | <u>5,422</u>                     | <u>23,477</u>                               |
| <b>Total salaries and related expenses</b>      | 269,977                             | 23,586                           | 102,123                                     |
| Occupancy                                       | 18,125                              | 1,584                            | 6,856                                       |
| Office supplies and program materials           | 1,476                               | 129                              | 558   |
| Professional fees and contract service payments | -                                   | -                                | -   |
| Travel, conferences, conventions and meetings   | 30,550                              | 2,669                            | 11,557                                      |
| Printing, postage and publications              | 54,500                              | 4,761                            | 20,615                                      |
| Awards, grants and other program disbursements  | 1,558,184                           | 136,132                          | 589,407                                     |
| Media   | 10,870                              | 950                              | 4,112                                       |
| New donor costs                                 | -                                   | -                                | -   |
| Depreciation                                    | 13,019                              | 1,137                            | 4,924                                       |
| Miscellaneous                                   | <u>5,640</u>                        | <u>494</u>                       | <u>2,133</u>                                |
|   | <b><u>\$ 1,962,341</u></b>          | <b><u>\$171,442</u></b>          | <b><u>\$742,285</u></b>                     |

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| <u>Socio-Economic Services</u> |                     |                     | <u>Supporting Services</u>    |                     |                    | <u>Total Expenses</u> |  |
|--------------------------------|---------------------|---------------------|-------------------------------|---------------------|--------------------|-----------------------|--|
| <u>Research</u>                | <u>Total 2006</u>   | <u>Fund Raising</u> | <u>Management And General</u> | <u>Total 2006</u>   | <u>2006</u>        | <u>2005</u>           |  |
| \$ 121,603                     | \$ 499,003          | \$ 338,280          | \$223,474                     | \$ 561,754          | \$ 1,060,757       | \$ 1,084,573          |  |
| 8,952                          | 36,734              | 24,903              | 16,451                        | 41,354              | 78,088             | 84,648                |  |
| <u>38,973</u>                  | <u>159,927</u>      | <u>108,416</u>      | <u>71,622</u>                 | <u>180,038</u>      | <u>339,965</u>     | <u>318,318</u>        |  |
| 169,528                        | 695,664             | 471,599             | 311,547                       | 783,146             | 1,478,810          | 1,487,539             |  |
| 11,382                         | 46,705              | 31,662              | 20,917                        | 52,579              | 99,284             | 109,129               |  |
| 928                            | 3,805               | 2,079               | 6,332                         | 8,411               | 12,216             | 10,859                |  |
| -                              | -                   | 86,837              | 25,500                        | 112,337             | 112,337            | 60,902                |  |
| 19,184                         | 78,722              | 30,515              | 32,798                        | 63,313              | 142,035            | 150,489               |  |
| 34,222                         | 140,432             | 405,759             | 3,192                         | 408,951             | 549,383            | 441,009               |  |
| 978,438                        | 4,015,061           | -                   | -                             | -                   | 4,015,061          | 3,931,733             |  |
| 6,826                          | 28,010              | 303,373             | -                             | 303,373             | 331,383            | 336,517               |  |
| -                              | -                   | 727,866             | -                             | 727,866             | 727,866            | 657,946               |  |
| 8,175                          | 33,545              | 21,558              | 21,791                        | 43,349              | 76,894             | 87,393                |  |
| <u>3,541</u>                   | <u>14,533</u>       | <u>16,619</u>       | <u>66,463</u>                 | <u>83,082</u>       | <u>97,615</u>      | <u>135,241</u>        |  |
| <u>\$1,232,224</u>             | <u>\$ 5,056,477</u> | <u>\$2,097,867</u>  | <u>\$488,540</u>              | <u>\$ 2,586,407</u> | <u>\$7,642,884</u> | <u>\$7,408,757</u>    |  |

**AMERICAN LEPROSY MISSIONS, INC.  
(ALM INTERNATIONAL)**

**STATEMENT OF CASH FLOWS**

**Years ended December 31, 2006 and 2005**

|   | <u>2006</u>         | <u>2005</u>        |
|---|---------------------|--------------------|
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>     |                     |                    |
| <i>Cash flows from operating activities</i>                 |                     |                    |
| Cash received from contributors                             | \$ 7,565,258        | \$ 7,552,253       |
| Interest and dividends received                             | 230,457             | 146,689            |
| Grants paid   | (4,015,061)         | (3,931,733)        |
| Cash paid for other expenditures                            | <u>(3,458,173)</u>  | <u>(3,409,311)</u> |
| <b>Net cash provided by operating activities</b>            | <u>322,481</u>      | <u>357,898</u>     |
| <i>Cash flows from investing activities</i>                 |                     |                    |
| Purchase of equipment                                       | (80,534)            | (29,224)           |
| Purchase of investments                                     | (1,612,783)         | (1,384,178)        |
| Proceeds from sale of investments                           | 1,384,102           | 1,261,777          |
| Net change in cash and cash equivalents – long term         | <u>54,330</u>       | <u>(349,477)</u>   |
| <b>Net cash used for investing activities</b>               | <u>(254,885)</u>    | <u>(501,102)</u>   |
| <i>Cash flows from financing activities</i>                 |                     |                    |
| Payments made to annuitants                                 | (69,994)            | (71,166)           |
| Payments made under trust agreements                        | (43,936)            | (42,521)           |
| Proceeds from contributions restricted for –                |                     |                    |
| Investment subject to annuity agreements                    | 405,000             | 40,000             |
| Endowment   | <u>-</u>            | <u>10,000</u>      |
| <b>Net cash provided by (used for) financing activities</b> | <u>291,070</u>      | <u>(63,687)</u>    |
| <b>Net increase (decrease) in cash and cash equivalents</b> | 358,666             | (206,891)          |
| <i>Cash and cash equivalents</i>                            |                     |                    |
| Beginning of year   | <u>845,409</u>      | <u>1,052,300</u>   |
| <b>End of year</b>  | <u>\$ 1,204,075</u> | <u>\$ 845,409</u>  |

**AMERICAN LEPROSY MISSIONS, INC.**  
**(ALM INTERNATIONAL)**

*STATEMENT OF CASH FLOWS – (Continued)*

**Years ended December 31, 2006 and 2005**

|  | <u>2006</u>       | <u>2005</u>       |
|--|-------------------|-------------------|
| <b>RECONCILIATION OF CHANGE IN NET ASSETS<br/>TO NET CASH PROVIDED BY (USED FOR)<br/>OPERATING ACTIVITIES</b>    |                   |                   |
| <i>Change in net assets</i>  | \$ 486,026        | \$ 747,758        |
| <i>Adjustments to reconcile change in net assets to net cash<br/>provided by (used for) operating activities</i> |                   |                   |
| Depreciation   | 76,894            | 87,393            |
| Gain on sale of investments  | (208,923)         | (150,540)         |
| Actuarial (gain) loss on annuity obligations   | 38,415            | (2,794)           |
| Non-cash contributions   | (5,642)           | (31,580)          |
| Change in unrealized (appreciation) depreciation   | (145,873)         | 50,718            |
| Contributions restricted for long-term investment  | (405,000)         | (50,000)          |
| Change in beneficial interest in perpetual trusts  | (414,970)         | (243,470)         |
| Liability for new annuities issued   | 217,089           | 20,930            |
| Interest and dividends restricted for long-term investment   | 50,771            | 23,655            |
| (Increase) decrease in   |                   |                   |
| Accrued interest receivable  | 650               | (3,104)           |
| Accounts receivable and advances   | 140,975           | (138,115)         |
| Legacy receivable  | 314,600           | (50,000)          |
| Pledges receivable   | 84,713            | 116,727           |
| Prepaid expenses and deposits  | 31,134            | (27,606)          |
| Increase in  |                   |                   |
| Accounts payable   | <u>61,622</u>     | <u>7,926</u>      |
| <i>Net cash provided by operating activities</i>   | <u>\$ 322,481</u> | <u>\$ 357,898</u> |

**AMERICAN LEPROSY MISSIONS, INC.  
(ALM INTERNATIONAL)**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006 and 2005**

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**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***ORGANIZATION AND PURPOSE***

American Leprosy Missions, Inc. (“ALM”) is incorporated pursuant to the provisions of the Not-for-Profit 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 purpose of ALM is to preach the Gospel to persons affected by the disease known as Leprosy (also known as Hansen’s Disease), to persons affected by related or similar diseases and to persons indirectly affected by such diseases; to provide financial and other assistance to those who aid such persons through medical treatment, physical rehabilitation, social integration and the supply of their other needs; to educate the public concerning such diseases; to promote improved methods of diagnosis and treatment thereof; and to work to free the world of such diseases.

***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 betterments 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.

**AMERICAN LEPROSY MISSIONS, INC.  
(ALM INTERNATIONAL)**

*NOTES TO FINANCIAL STATEMENTS – (Continued)*

**December 31, 2006 and 2005**

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***LONG-TERM INVESTMENTS***

Long-term investments consist of marketable securities which are stated at market value with gains and losses, both realized and unrealized, included in the statement of activities.

***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 discount rates ranging from 3.2% to 8.2%.

***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.

**AMERICAN LEPROSY MISSIONS, INC.**  
**(ALM INTERNATIONAL)**

*NOTES TO FINANCIAL STATEMENTS – (Continued)*

**December 31, 2006 and 2005**

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**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.

**RECLASSIFICATIONS**

Certain reclassifications were made to the 2005 financial statements to conform to the 2006 presentation.

**SUMMARIZED INFORMATION**

The financial statements include certain prior-year summarized 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 the ALM’s audited financial statements for the year ended December 31, 2005, from which the summarized information was derived.

**(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, 2006 and 2005, respectively, are expected to be realized as follows:

|                                    | <u>2006</u>      | <u>2005</u>      |
|------------------------------------|------------------|------------------|
| In one year or less                | \$105,445        | \$153,795        |
| In one to five years               | <u>-</u>         | <u>49,968</u>    |
|                                    | 105,445          | 203,763          |
| Less discount to present value     | -                | 12,541           |
| Less reserve for doubtful accounts | <u>25,185</u>    | <u>26,249</u>    |
| Net pledges receivable             | <u>\$ 80,260</u> | <u>\$164,973</u> |

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**AMERICAN LEPROSY MISSIONS, INC.**  
**(ALM INTERNATIONAL)**

*NOTES TO FINANCIAL STATEMENTS – (Continued)*

**December 31, 2006 and 2005**

**(3) LAND, BUILDING AND EQUIPMENT**

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

|                               | <u>2006</u>       | <u>2005</u>       |
|-------------------------------|-------------------|-------------------|
| Land                          | \$ 285,675        | \$ 285,675        |
| Building and improvements     | 1,001,372         | 977,755           |
| Equipment                     | <u>2,322,028</u>  | <u>2,265,112</u>  |
|                               | 3,609,075         | 3,528,542         |
| Less accumulated depreciation | <u>2,788,319</u>  | <u>2,711,426</u>  |
|                               | <u>\$ 820,756</u> | <u>\$ 817,116</u> |

**(4) LONG-TERM INVESTMENTS**

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

| <u>Net Assets</u>                  | <u>2006</u>        |                    | <u>2005</u>        |                    |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                    | <u>Cost</u>        | <u>Market</u>      | <u>Cost</u>        | <u>Market</u>      |
| <b>Unrestricted</b>                | <u>\$4,231,023</u> | <u>\$4,775,790</u> | <u>\$4,245,288</u> | <u>\$4,671,242</u> |
| <b>Temporarily Restricted</b>      |                    |                    |                    |                    |
| Revocable Gift Agreements          | 57,306             | 56,403             | 55,244             | 54,439             |
| Segregated Gift Annuity Agreements | 1,073,410          | 1,048,695          | 727,064            | 693,099            |
| Uni-trust and Annuity Agreements   | <u>488,906</u>     | <u>517,994</u>     | <u>508,409</u>     | <u>519,653</u>     |
|                                    | <u>1,619,622</u>   | <u>1,623,092</u>   | <u>1,290,717</u>   | <u>1,267,191</u>   |
| <b>Permanently restricted</b>      | <u>658,387</u>     | <u>783,174</u>     | <u>601,855</u>     | <u>708,834</u>     |
| <b>Total</b>                       | <u>\$6,509,032</u> | <u>\$7,182,056</u> | <u>\$6,137,860</u> | <u>\$6,647,267</u> |

The components of marketable securities at December 31 are:

|                                     | <u>2006</u>        |                    | <u>2005</u>        |                    |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                     | <u>Cost</u>        | <u>Market</u>      | <u>Cost</u>        | <u>Market</u>      |
| Cash and cash equivalents           | \$ 756,394         | \$ 756,394         | \$ 810,724         | \$ 810,724         |
| U.S. Government Treasury securities | 1,060,086          | 1,028,389          | 1,433,095          | 1,377,983          |
| Corporate and municipal bonds       | 1,838,903          | 1,821,244          | 1,631,618          | 1,619,363          |
| Common and preferred stocks         | 2,499,517          | 3,193,550          | 1,903,641          | 2,471,699          |
| Mutual funds                        | <u>354,132</u>     | <u>382,479</u>     | <u>358,782</u>     | <u>367,498</u>     |
|                                     | <u>\$6,509,032</u> | <u>\$7,182,056</u> | <u>\$6,137,860</u> | <u>\$6,647,267</u> |

At December 31, 2006 and 2005, the portfolio of marketable securities had unrealized gains of \$673,024 and \$509,407, respectively

Investment income in the statement of activities and changes in net assets is shown net of \$49,233 and \$46,939 of investment management fees for the years ended December 31, 2006 and 2005, respectively.

**AMERICAN LEPROSY MISSIONS, INC.**  
**(ALM INTERNATIONAL)**

*NOTES TO FINANCIAL STATEMENTS – (Continued)*

**December 31, 2006 and 2005**

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**(5) NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

|                        | <u>2006</u>      | <u>2005</u>      |
|------------------------|------------------|------------------|
| Life Income Agreements | <u>\$551,654</u> | <u>\$377,520</u> |

New York State law requires a segregated minimum reserve (liabilities plus minimum required surplus) for the gift annuity agreements. Assets (at market value) in the segregated gift annuity fund exceeded the calculated minimum reserve of \$729,903 in 2006 and \$466,544 in 2005 by \$318,916 and \$222,632, respectively.

Permanently restricted net assets are available for the following purpose:

|  | <u>2006</u>        | <u>2005</u>        |
|--|--------------------|--------------------|
| Investment in perpetuity, the income from which is<br>expendable to support any activities of the organization | \$ 595,093         | \$ 595,093         |
| Beneficial interest in perpetual trusts  | <u>5,009,076</u>   | <u>4,594,106</u>   |
|  | <u>\$5,604,169</u> | <u>\$5,189,199</u> |

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

|       |                  |
|-------|------------------|
| Other | <u>\$245,254</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 \$102,000 and \$108,000 for the years ended December 31, 2006 and 2005, respectively.

## **SUPPLEMENTAL INFORMATION**

**AMERICAN LEPROSY MISSIONS, INC.  
(ALM INTERNATIONAL)**

***SCHEDULE OF PROGRAM SERVICE GRANTS AND OTHER DISBURSEMENTS***

**Year ended December 31, 2006 with summarized information for 2005**

|  | <u>Leprosy<br/>Treatment</u> | <u>Other<br/>Diseases</u> | <u>Training of<br/>Professionals</u> | <u>Socio-<br/>Economic<br/>Services</u> | <u>Research</u>  | <u>Total</u>       |                    |
|--|------------------------------|---------------------------|--------------------------------------|---|------------------|--------------------|--------------------|
|  |                              |                           |                                      |   |                  | <u>2006</u>        | <u>2005</u>        |
| <b><u>Africa</u></b>                                 |                              |                           |                                      |   |                  |                    |                    |
| Angola   | \$ 188,956                   | \$ -                      | \$ 56,595                            | \$ 56,286                               | \$ -             | \$ 301,837         | \$ 268,258         |
| Congo  | 480,447                      | 42,886                    | 30,995                               | 6,711                                   | -                | 561,039            | 396,272            |
| Cote D' Ivoire                                       | -                            | 63,388                    | -                                    | -                                       | -                | 63,388             | 58,942             |
| Ethiopia   | -                            | -                         | 20,000                               | -                                       | -                | 20,000             | 20,206             |
| Ghana  | -                            | -                         | 78,000                               | -                                       | -                | 78,000             | 89,976             |
| Somalia  | -                            | -                         | -                                    | -                                       | -                | -                  | 50,517             |
|  | <u>669,403</u>               | <u>106,274</u>            | <u>185,590</u>                       | <u>62,997</u>                           | <u>-</u>         | <u>1,024,264</u>   | <u>884,171</u>     |
| <b><u>Asia and Pacific Islands</u></b>               |                              |                           |                                      |   |                  |                    |                    |
| China  | 174,869                      | -                         | 35,702                               | 48,021                                  | 3,836            | 262,428            | 235,204            |
| India  | 308,143                      | -                         | 96,072                               | 433,893                                 | 32,588           | 870,696            | 815,633            |
| Myanmar  | 136,006                      | -                         | 67,108                               | 30,019                                  | -                | 233,133            | 349,381            |
| Nepal  | 57,500                       | -                         | 17,500                               | -                                       | -                | 75,000             | 75,196             |
| Philippines  | 41,576                       | 4,163                     | 24,811                               | 241,524                                 | -                | 312,074            | 178,064            |
| Thailand   | -                            | -                         | -                                    | 12,900                                  | -                | 12,900             | 10,813             |
|  | <u>718,094</u>               | <u>4,163</u>              | <u>241,193</u>                       | <u>766,357</u>                          | <u>36,424</u>    | <u>1,766,231</u>   | <u>1,664,291</u>   |
| <b><u>The Americas</u></b>                           |                              |                           |                                      |   |                  |                    |                    |
| Brazil   | <u>49,872</u>                | <u>23,506</u>             | <u>-</u>                             | <u>79,600</u>                           | <u>-</u>         | <u>152,978</u>     | <u>239,041</u>     |
|  | <u>49,872</u>                | <u>23,506</u>             | <u>-</u>                             | <u>79,600</u>                           | <u>-</u>         | <u>152,978</u>     | <u>239,041</u>     |
| <b><u>Miscellaneous Grants and Disbursements</u></b> |                              |                           |                                      |   |                  |                    |                    |
| Vaccine Research                                     | -                            | -                         | -                                    | -                                       | 502,587          | 502,587            | 202,033            |
| Other Research                                       | -                            | -                         | -                                    | -                                       | 203,077          | 203,077            | 360,304            |
| Training and Other                                   | <u>120,815</u>               | <u>2,189</u>              | <u>162,624</u>                       | <u>69,484</u>                           | <u>10,812</u>    | <u>365,924</u>     | <u>581,893</u>     |
|  | <u>120,815</u>               | <u>2,189</u>              | <u>162,624</u>                       | <u>69,484</u>                           | <u>716,476</u>   | <u>1,071,588</u>   | <u>1,144,230</u>   |
| <b>Total grants</b>                                  | <u>\$1,558,184</u>           | <u>\$136,132</u>          | <u>\$589,407</u>                     | <u>\$978,438</u>                        | <u>\$752,900</u> | <u>\$4,015,061</u> | <u>\$3,931,733</u> |