

AMERICAN LEPROSY MISSIONS, INC.
(ALM INTERNATIONAL)

*FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS*

DECEMBER 31, 2008

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, 2008, 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) 2007 financial statements and, in our report dated April 14, 2008, 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, 2008, 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
April 20, 2009**

AMERICAN LEPROSY MISSIONS, INC.
(ALM INTERNATIONAL)

STATEMENT OF FINANCIAL POSITION

December 31, 2008 with summarized information for 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2008</u>	<u>2007</u>
CURRENT ASSETS					
Cash and cash equivalents	\$1,638,176	\$ -	\$ -	\$ 1,638,176	\$ 2,121,179
Accrued interest receivable	11,729	9,298	-	21,027	30,613
Accounts receivable and advances	-	-	-	-	70,569
Pledges receivable (<i>Note 2</i>)	18,021	-	-	18,021	17,424
Prepaid expenses and deposits	115,604	-	-	115,604	107,866
Due from other net assets	<u>142,286</u>	<u>-</u>	<u>-</u>	<u>★</u>	<u>★</u>
Total current assets	<u>1,925,816</u>	<u>9,298</u>	<u>-</u>	<u>1,792,828</u>	<u>2,347,651</u>
OTHER ASSETS					
Real estate held for investment	100,000	-	-	100,000	100,000
Land, building and equipment (<i>Note 3</i>)	1,004,359	-	-	1,004,359	775,616
Long-term investments (<i>Note 4</i>)	3,491,178	1,318,752	601,489	5,411,419	7,134,817
Beneficial interest in perpetual trusts (<i>Note 5</i>)	-	-	3,606,982	3,606,982	5,397,351
Other	<u>48,675</u>	<u>-</u>	<u>-</u>	<u>48,675</u>	<u>49,407</u>
Total other assets	<u>4,644,212</u>	<u>1,318,752</u>	<u>4,208,471</u>	<u>10,171,435</u>	<u>13,457,191</u>
Total assets	<u>\$6,570,028</u>	<u>\$1,328,050</u>	<u>\$4,208,471</u>	<u>\$11,964,263</u>	<u>\$15,804,842</u>
CURRENT LIABILITIES					
Accounts payable	\$ 367,206	\$ -	\$ -	\$ 367,206	\$ 417,832
Due to other net assets	<u>-</u>	<u>135,890</u>	<u>6,396</u>	<u>★</u>	<u>★</u>
Total current liabilities	<u>367,206</u>	<u>135,890</u>	<u>6,396</u>	<u>367,206</u>	<u>417,832</u>
OTHER LIABILITIES					
Refundable advance	-	61,576	-	61,576	53,694
Uni-trust and annuity obligations	<u>-</u>	<u>611,869</u>	<u>-</u>	<u>611,869</u>	<u>952,632</u>
Total other liabilities	<u>-</u>	<u>673,445</u>	<u>-</u>	<u>673,445</u>	<u>1,006,326</u>
NET ASSETS					
Unrestricted					
Operating	2,149,563	-	-	2,149,563	2,052,330
Reserve	4,053,259	-	-	4,053,259	5,825,930
Temporarily restricted (<i>Note 5</i>)					
Life Income Agreements	-	518,715	-	518,715	509,980
Permanently restricted (<i>Note 5</i>)	<u>-</u>	<u>-</u>	<u>4,202,075</u>	<u>4,202,075</u>	<u>5,992,444</u>
Total net assets	<u>6,202,822</u>	<u>518,715</u>	<u>4,202,075</u>	<u>10,923,612</u>	<u>14,380,684</u>
Total liabilities and net assets	<u>\$6,570,028</u>	<u>\$1,328,050</u>	<u>\$4,208,471</u>	<u>\$11,964,263</u>	<u>\$15,804,842</u>

★ *Interfund balances eliminated in combination*

AMERICAN LEPROSY MISSIONS, INC.
(ALM INTERNATIONAL)

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended December 31, 2008 with summarized information for 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2008</u>	<u>2007</u>
Public support and revenue					
Public support					
Contributions	\$ 6,017,090	\$ 20,813	\$ -	\$ 6,037,903	\$ 6,104,109
Income from outside trusts	128,193	-	-	128,193	130,404
Legacies and bequests	<u>1,297,908</u>	<u>-</u>	<u>-</u>	<u>1,297,908</u>	<u>954,859</u>
Total public support	<u>7,443,191</u>	<u>20,813</u>	<u>-</u>	<u>7,464,004</u>	<u>7,189,372</u>
Revenue					
Investment income, net of expenses	124,112	34,341	-	158,453	219,817
Realized gain (loss) on investment transactions	(217,177)	(22,013)	-	(239,190)	195,169
Other	<u>8,879</u>	<u>-</u>	<u>-</u>	<u>8,879</u>	<u>7,564</u>
Total revenue	<u>(84,186)</u>	<u>12,328</u>	<u>-</u>	<u>(71,858)</u>	<u>422,550</u>
Net assets released from restrictions (Note 5)	<u>79,655</u>	<u>(79,655)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>7,438,660</u>	<u>(46,514)</u>	<u>-</u>	<u>7,392,146</u>	<u>7,611,922</u>
Expenses					
Program services					
Leprosy Treatment	1,240,164	-	-	1,240,164	1,445,447
Other Diseases	740,164	-	-	740,164	282,745
Training of Professionals	554,850	-	-	554,850	558,241
Socio-Economic Services	761,601	-	-	761,601	905,281
Prevention of Disabilities	552,969	-	-	552,969	662,015
Research	<u>1,146,716</u>	<u>-</u>	<u>-</u>	<u>1,146,716</u>	<u>1,054,392</u>
Total program services	<u>4,996,464</u>	<u>-</u>	<u>-</u>	<u>4,996,464</u>	<u>4,908,121</u>
Supporting services					
Fund-raising	2,489,651	-	-	2,489,651	1,939,308
Management and general	<u>500,695</u>	<u>-</u>	<u>-</u>	<u>500,695</u>	<u>488,249</u>
Total supporting services	<u>2,990,346</u>	<u>-</u>	<u>-</u>	<u>2,990,346</u>	<u>2,427,557</u>
Total expenses	<u>7,986,810</u>	<u>-</u>	<u>-</u>	<u>7,986,810</u>	<u>7,335,678</u>
Other changes in net assets					
Actuarial gain (loss) on annuity and unitrust obligations	-	121,487	-	121,487	(87,950)
Net unrealized gains (loss) on long-term investments	(1,127,288)	(66,238)	-	(1,193,526)	19,996
Change in beneficial interest in perpetual trusts	<u>-</u>	<u>-</u>	<u>(1,790,369)</u>	<u>(1,790,369)</u>	<u>388,275</u>
Total other changes	<u>(1,127,288)</u>	<u>55,249</u>	<u>(1,790,369)</u>	<u>(2,862,408)</u>	<u>320,321</u>
Changes in net assets	(1,675,438)	8,735	(1,790,369)	(3,457,072)	596,565
Net assets					
Beginning of year	<u>7,878,260</u>	<u>509,980</u>	<u>5,992,444</u>	<u>14,380,684</u>	<u>13,784,119</u>
End of year	<u>\$ 6,202,822</u>	<u>\$ 518,715</u>	<u>\$ 4,202,075</u>	<u>\$ 10,923,612</u>	<u>\$ 14,380,684</u>

AMERICAN LEPROSY MISSIONS, INC.
(ALM INTERNATIONAL)

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2008 with summarized information for 2007

	Program Services			Socio- Economic Services
	<u>Leprosy Treatment</u>	<u>Other Diseases</u>	<u>Training of Professionals</u>	
Salaries	\$ 119,085	\$ 71,073	\$ 53,278	\$ 73,131
Payroll taxes	8,590	5,127	3,843	5,275
Employee health, retirement, and other benefits	<u>36,500</u>	<u>21,784</u>	<u>16,330</u>	<u>22,415</u>
Total salaries and related expenses	164,175	97,984	73,451	100,821
Occupancy	11,277	6,731	5,046	6,926
Office supplies and program materials	563	336	252	346
Professional fees and contract service payments	4,497	2,684	2,012	2,762
Travel, conferences, conventions and meetings	33,482	19,983	14,980	20,562
Printing, postage and publications	44,828	26,754	20,056	27,529
Awards, grants and other program disbursements	963,819	575,233	431,213	591,894
Media	5,406	3,227	2,419	3,320
New donor costs	-	-	-	-
Depreciation	8,013	4,783	3,585	4,921
Miscellaneous	<u>4,104</u>	<u>2,449</u>	<u>1,836</u>	<u>2,520</u>
	<u>\$1,240,164</u>	<u>\$740,164</u>	<u>\$554,850</u>	<u>\$ 761,601</u>

Prevention Of Disabilities	Research	Total 2008	Supporting Services			Total Expenses	
			Fund Raising	Management And General	Total 2008	2008	2007
\$ 53,098	\$ 110,110	\$ 479,775	\$ 342,394	\$199,584	\$ 541,978	\$1,021,753	\$ 982,421
3,830	7,943	34,608	24,421	14,094	38,515	73,123	72,855
<u>16,275</u>	<u>33,749</u>	<u>147,053</u>	<u>104,981</u>	<u>64,862</u>	<u>169,843</u>	<u>316,896</u>	<u>332,073</u>
73,203	151,802	661,436	471,796	278,540	750,336	1,411,772	1,387,349
5,028	10,427	45,435	26,336	34,656	60,992	106,427	104,464
251	521	2,269	2,019	2,537	4,556	6,825	10,079
2,005	4,158	18,118	125,090	58,319	183,409	201,527	111,791
14,929	30,959	134,895	71,578	17,669	89,247	224,142	149,555
19,988	41,449	180,604	529,964	4,190	534,154	714,758	586,903
429,751	891,183	3,883,093	-	-	-	3,883,093	3,870,063
2,411	4,999	21,782	524,831	-	524,831	546,613	227,603
-	-	-	675,206	-	675,206	675,206	709,110
3,573	7,410	32,285	16,844	21,056	37,900	70,185	65,850
<u>1,830</u>	<u>3,808</u>	<u>16,547</u>	<u>45,987</u>	<u>83,728</u>	<u>129,715</u>	<u>146,262</u>	<u>112,911</u>
<u>\$552,969</u>	<u>\$1,146,716</u>	<u>\$4,996,464</u>	<u>\$2,489,651</u>	<u>\$500,695</u>	<u>\$2,990,346</u>	<u>\$7,986,810</u>	<u>\$7,335,678</u>

AMERICAN LEPROSY MISSIONS, INC.
(ALM INTERNATIONAL)

STATEMENTS OF CASH FLOWS

Years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
<i>Cash flows from operating activities</i>		
Cash received from contributors	\$ 7,463,094	\$ 7,759,420
Interest and dividends received	177,519	211,688
Grants paid	(3,883,093)	(3,870,063)
Cash paid for other expenditures	<u>(4,090,426)</u>	<u>(3,302,223)</u>
Net cash provided by (used for) operating activities	<u>(332,906)</u>	<u>798,822</u>
<i>Cash flows from investing activities</i>		
Purchase of building and equipment	(298,928)	(20,710)
Purchase of investments	(2,472,647)	(3,362,239)
Proceeds from sale of investments	3,468,114	3,191,675
Net change in cash and cash equivalents – long term	<u>(746,707)</u>	<u>437,262</u>
Net cash provided by (used for) investing activities	<u>(50,168)</u>	<u>245,988</u>
<i>Cash flows from financing activities</i>		
Payments made to annuitants	(90,797)	(89,377)
Payments made under trust agreements	(44,132)	(45,329)
Proceeds from contributions restricted for – Investment subject to annuity agreements	<u>35,000</u>	<u>7,000</u>
Net cash used for financing activities	<u>(99,929)</u>	<u>(127,706)</u>
Net increase (decrease) in cash and cash equivalents	(483,003)	917,104
<i>Cash and cash equivalents</i>		
Beginning of year	<u>2,121,179</u>	<u>1,204,075</u>
End of year	<u>\$ 1,638,176</u>	<u>\$ 2,121,179</u>

AMERICAN LEPROSY MISSIONS, INC.
(ALM INTERNATIONAL)

STATEMENTS OF CASH FLOWS – (Continued)

Years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$(3,457,072)	\$ 596,565
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Depreciation	70,185	65,850
(Gain) loss on sale of investments	239,190	(195,169)
Actuarial (gain) loss on annuity obligations	(121,487)	87,950
Non-cash contributions	(56,034)	(4,294)
Change in unrealized (appreciation) depreciation	1,193,526	(19,996)
Contributions restricted for long-term investment	(35,000)	(7,000)
Change in beneficial interest in perpetual trusts	1,790,369	(388,275)
Liability for new annuities issued	14,187	3,947
Interest and dividends restricted for long-term investment	9,479	9,861
(Increase) decrease in		
Accrued interest receivable	9,586	(17,990)
Accounts receivable and advances	68,394	16,995
Legacy receivable	-	490,000
Pledges receivable	(597)	62,836
Prepaid expenses and deposits	(7,006)	(46,185)
Increase (decrease) in		
Accounts payable	<u>(50,626)</u>	<u>143,727</u>
<i>Net cash provided by (used for) operating activities</i>	<u>\$ (332,906)</u>	<u>\$ 798,822</u>

AMERICAN LEPROSY MISSIONS, INC.
(ALM INTERNATIONAL)

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

(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 vision and principal ends of ALM are to work as Christ's servants, freeing the world of leprosy, buruli ulcer and related diseases by serving as a channel of the love of Christ to people affected by these diseases, helping them to be healed in body and spirit and to be restored to lives of dignity and usefulness within their community.

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. 107 identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made.

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, 2008 and 2007

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 7.4%.

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 and temporarily restricted net assets. 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, 2008 and 2007

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.

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, 2007, 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, 2008 and 2007, respectively, are expected to be realized as follows:

	<u>2008</u>	<u>2007</u>
In one year or less	\$23,609	\$19,221
Less reserve for doubtful accounts	<u>5,588</u>	<u>1,797</u>
Net pledges receivable	<u>\$18,021</u>	<u>\$17,424</u>

AMERICAN LEPROSY MISSIONS, INC.
(ALM INTERNATIONAL)

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2008 and 2007

(3) LAND, BUILDING AND EQUIPMENT

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

	<u>2008</u>	<u>2007</u>
Land	\$ 285,675	\$ 285,675
Building and improvements	1,275,552	1,001,372
Equipment	<u>2,367,484</u>	<u>2,342,737</u>
	3,928,711	3,629,784
Less accumulated depreciation	<u>2,924,352</u>	<u>2,854,168</u>
	<u>\$ 1,004,359</u>	<u>\$ 775,616</u>

(4) LONG-TERM INVESTMENTS

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

<u>Net Assets</u>	<u>2008</u>		<u>2007</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Unrestricted	<u>\$3,835,496</u>	<u>\$3,491,178</u>	<u>\$4,165,424</u>	<u>\$4,748,559</u>
Temporarily Restricted				
Revocable Gift Agreements	57,014	56,978	59,368	59,231
Segregated Gift Annuity Agreements	980,294	905,709	1,017,534	1,009,323
Uni-trust and Annuity Agreements	<u>439,497</u>	<u>356,065</u>	<u>516,982</u>	<u>483,482</u>
	<u>1,476,805</u>	<u>1,318,752</u>	<u>1,593,884</u>	<u>1,552,036</u>
Permanently restricted	<u>711,276</u>	<u>601,489</u>	<u>744,174</u>	<u>834,222</u>
Total	<u>\$6,023,577</u>	<u>\$5,411,419</u>	<u>\$6,503,482</u>	<u>\$7,134,817</u>

The components of marketable securities at December 31 are:

	<u>2008</u>		<u>2007</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash and cash equivalents	\$1,065,839	\$1,065,839	\$ 319,132	\$ 319,132
U.S. Government Treasury securities	933,276	1,006,064	1,540,350	1,572,623
Corporate and municipal bonds	927,395	879,283	1,401,739	1,391,037
Common and preferred stocks	2,852,911	2,297,579	3,005,544	3,649,974
Mutual funds	<u>244,156</u>	<u>162,654</u>	<u>236,717</u>	<u>202,051</u>
	<u>\$6,023,577</u>	<u>\$5,411,419</u>	<u>\$6,503,482</u>	<u>\$7,134,817</u>

At December 31, 2008 and 2007, the portfolio of marketable securities had unrealized gains (losses) of \$(612,158) and \$631,335, respectively

Investment income in the statement of activities and changes in net assets is shown net of \$69,983 and \$65,570 of investment management fees for the years ended December 31, 2008 and 2007, respectively.

AMERICAN LEPROSY MISSIONS, INC.
(ALM INTERNATIONAL)

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2008 and 2007

On January 1, 2008, ALM adopted Financial Accounting Standards Board No. 157, “*Fair Value Measurements*”, (“*FAS 157*”), which was issued in September 2006 effective for fiscal years beginning after November 15, 2007. This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. The three levels of the fair value hierarchy under FAS 157 are described below:

Level 1 – quoted prices in active markets for identical securities

Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 – significant unobservable inputs (including ALM’s own assumptions in determining the fair value of investments)

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The summary of inputs used to value ALM’s investments as of December 31, 2008 is as follows:

	<u>Investments</u>
Level 1	\$3,526,072
Level 2	1,885,347
Level 3	<u>-</u>
	<u>\$5,411,419</u>

(5) NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2008</u>	<u>2007</u>
Life Income Agreements	<u>\$518,715</u>	<u>\$509,980</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 \$745,846 in 2008 and \$707,402 in 2007 by \$154,113 and \$302,264, respectively.

Permanently restricted net assets are available for the following purpose:

	<u>2008</u>	<u>2007</u>
Investment in perpetuity, the income from which is expendable to support any activities of the organization	\$ 595,093	\$ 595,093
Beneficial interest in perpetual trusts	<u>3,606,982</u>	<u>5,397,351</u>
	<u>\$4,202,075</u>	<u>\$5,992,444</u>

AMERICAN LEPROSY MISSIONS, INC.
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NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2008 and 2007

Investment return on the permanently restricted net assets, which is included in the unrestricted revenue, for the years ended December 31, 2008 and 2007 was as follows:

	<u>2008</u>	<u>2007</u>
Investment income, net of fees	\$ 15,574	\$12,590
Net appreciation (depreciation)	<u>(248,307)</u>	<u>38,458</u>
Total investment return	<u>\$(232,733)</u>	<u>\$51,048</u>

Included in unrestricted operating net assets at December 31, 2008 and 2007 was \$6,396 and \$239,129, respectively, of board designated endowment funds representing accumulated gains on the permanently restricted net assets.

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

	<u>2008</u>
Expiration of time restrictions – life income agreements	<u>\$79,655</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 \$117,000 and \$129,000 for the years ended December 31, 2008 and 2007, respectively.

SUPPLEMENTAL INFORMATION

AMERICAN LEPROSY MISSIONS, INC.
(ALM INTERNATIONAL)

SCHEDULE OF PROGRAM SERVICE GRANTS AND OTHER DISBURSEMENTS

Year ended December 31, 2008 with summarized information for 2007

	<u>Leprosy Treatment</u>	<u>Other Diseases</u>	<u>Training Of Professionals</u>	<u>Socio-Economic Services</u>	<u>Prevention Of Disabilities</u>	<u>Research</u>	<u>Total</u>	
							<u>2008</u>	<u>2007</u>
<u>Africa</u>								
Angola	\$ 86,376	\$ 4,726	\$ 48,420	\$ 60,600	\$ 29,368	\$ -	\$ 229,490	\$ 337,918
Congo	358,997	43,172	22,762	19,326	9,440	-	453,697	591,438
Cote D' Ivoire	-	406,160	-	-	-	-	406,160	131,408
Ethiopia	-	-	-	20,000	-	-	20,000	10,000
Ghana	-	75,000	-	-	-	-	75,000	197
Somalia	-	-	-	-	-	-	-	12,500
	<u>445,373</u>	<u>529,058</u>	<u>71,182</u>	<u>99,926</u>	<u>38,808</u>	<u>-</u>	<u>1,184,347</u>	<u>1,083,461</u>
<u>Asia and Pacific Islands</u>								
China	-	-	-	18,500	134,000	-	152,500	202,000
India	232,807	-	44,258	168,764	51,752	9,291	506,872	683,549
Myanmar	99,253	-	95,425	67,694	82,668	-	345,040	288,044
Nepal	56,800	-	-	15,000	23,200	-	95,000	105,000
Philippines	31,600	1,400	12,600	156,235	-	-	201,835	230,773
Thailand	-	-	-	17,500	-	-	17,500	15,000
	<u>420,460</u>	<u>1,400</u>	<u>152,283</u>	<u>443,693</u>	<u>291,620</u>	<u>9,291</u>	<u>1,318,747</u>	<u>1,524,366</u>
<u>The Americas</u>								
Brazil	<u>20,000</u>	<u>-</u>	<u>10,000</u>	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>33,500</u>	<u>26,100</u>
	<u>885,833</u>	<u>530,458</u>	<u>233,465</u>	<u>547,119</u>	<u>330,428</u>	<u>9,291</u>	<u>2,536,594</u>	<u>2,633,927</u>
<u>Miscellaneous Grants and Disbursements</u>								
Vaccine Research	-	-	-	-	-	500,000	500,000	500,333
Other Research	-	-	-	-	-	319,786	319,786	260,000
Training and Other	<u>77,986</u>	<u>44,775</u>	<u>197,748</u>	<u>44,775</u>	<u>99,323</u>	<u>62,106</u>	<u>526,713</u>	<u>475,803</u>
	<u>77,986</u>	<u>44,775</u>	<u>197,748</u>	<u>44,775</u>	<u>99,323</u>	<u>881,892</u>	<u>1,346,499</u>	<u>1,236,136</u>
Total grants	<u>\$963,819</u>	<u>\$575,233</u>	<u>\$431,213</u>	<u>\$591,894</u>	<u>\$429,751</u>	<u>\$891,183</u>	<u>\$3,883,093</u>	<u>\$3,870,063</u>