

NOTES ON FINANCIAL STATEMENTS

(DECEMBER 31, 2006)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Contributions and grants –

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Use of estimates –

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses –

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors:

Various Program Support	\$98,812
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3. LOAN PAYABLE TO RELATED PARTY

The Founder of Gede Foundation, Inc. has provided funds to the organization since its inception for the purpose of financing operations. The loan funds are non-interest bearing and are due on demand. As of December 31, 2006, the aggregate due to this individual totaled \$873,799.

4. RETIREMENT PLAN

During June 2004, Gede Foundation, Inc. established a pension plan for its employees in Nigeria. Employees can contribute up to 3.5% of their total monthly salary (including housing/transportation allowances) through monthly payroll deductions. During the same year, the Federal Government of Nigeria began modifying its National Pension Act, requiring Gede Foundation, Inc. to hold off on remitting the staff contributions until final revisions were completed in June 2007 (the New Pension Act mandates that employees must contribute 7.5% to the Fund with a 100% employer match, for all private and public sector employees). Employees have continued to deduct pension contributions, therefore, the liability to the Nigerian Government is included in the accompanying Statement of Financial Position as of December 31, 2006.

FINANCIAL STATEMENTS

GEDE FOUNDATION, INC.

FOR THE YEAR ENDED DECEMBER 31, 2006

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GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Gede Foundation, Inc.
Washington, D.C.

We have audited the accompanying statement of financial position of Gede Foundation, Inc. as of December 31, 2006, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Gede Foundation, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gede Foundation, Inc. as of December 31, 2006, and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

July 18, 2008

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

NOTES ON FINANCIAL STATEMENTS

(DECEMBER 31, 2006)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization –

Gede Foundation, Inc. is a nonprofit organization, incorporated under the laws of the District of Columbia with operations in Nigeria. The primary purpose of Gede Foundation, Inc. is to restore to the people of Africa the sense of self worth, and a life of hope, health and happiness through programs that educate, promote healthy communities and help eliminate the stigma of illness.

Basis of presentation –

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations".

Cash and cash equivalents –

Gede Foundation, Inc. considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

At times during the year, Gede Foundation, Inc. maintains cash balances at financial institutions in excess of the Federal

Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Property and equipment –

Property and equipment with an acquisition value of \$1,000 or more are stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred.

Income taxes –

Gede Foundation, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Gede Foundation, Inc. is not a private foundation.

Net asset classification –

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of Gede Foundation, Inc. and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donorimposed stipulations that will be met by the actions of Gede Foundation, Inc. and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

EXHIBIT D

STATEMENT OF CASH FLOWS

(FOR THE YEAR ENDED DECEMBER 31, 2006)

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	(\$475,948)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation and amortization	\$163,567
(Increase) decrease in:	
Employee receivables	(\$551)
Other receivables	(\$4,901)
Prepaid expenses and other assets	\$9,534
Increase (decrease) in:	
Accounts payable and accrued liabilities	(\$44,371)
Net cash used by operating activities	(\$352,670)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales of investments	\$8,672
Net cash provided by investing activities	\$8,672

CASH FLOWS FROM FINANCING ACTIVITIES

Loan proceeds from related party	\$436,523
Net cash provided by financing activities	\$436,523
Net increase in cash and cash equivalents	\$92,525
Cash and cash equivalents (overdraft) at beginning of year	(\$64,372)

CASH AND CASH EQUIVALENTS AT END OF YEAR **\$28,153**

EXHIBIT A

STATEMENT OF FINANCIAL POSITION

(AS OF DECEMBER 31, 2006)

ASSETS**CURRENT ASSETS**

Cash and cash equivalents:		
Cash held in the United States		\$10,037
Cash held in Nigeria		\$18,116
	Total cash	\$28,153
Employee receivables		\$6,963
Other receivables		\$10,170
Prepaid expenses and other assets		\$34,323
	Total current assets	\$79,609

PROPERTY AND EQUIPMENT

Equipment	\$636,118
Furniture and fixtures	\$80,461
Vehicles	\$7,657
	\$724,236
Less: Accumulated depreciation and amortization	(\$458,463)
Net property and equipment	\$265,773

NONCURRENT ASSETS

Organizational costs, net of accumulated amortization of \$9,686	\$881
Total noncurrent assets	\$881

TOTAL ASSETS **\$346,263**

LIABILITIES AND NET ASSETS**CURRENT LIABILITIES**

Loan payable	\$873,799
Accounts payable and accrued liabilities	\$21,234
Total current liabilities	\$895,033
Net assets – unrestricted	(\$548,770)

TOTAL LIABILITIES AND NET ASSETS **\$346,263**

See accompanying notes to financial statements.

EXHIBIT B

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2006

	Unrestricted	Temporarily	Restricted Total
REVENUE			
Contributions	–	\$91,251	\$91,251
Foundation grants	–	\$7,561	\$7,561
Medicine sales	\$230,904	–	\$230,904
Interest and dividends	\$862	–	\$862
Contributed services and materials	\$1,936	–	\$1,936
Net assets released from donor restrictions satisfaction of donor restrictions (Note 2)	\$98,812	(\$98,812)	–
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Total revenue	\$332,514	–	\$332,514
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EXPENSES			
Program Services	\$705,838	–	\$705,838
Management and General	\$70,642	–	\$70,642
Fundraising	\$31,982	–	\$31,982
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Total expenses	\$808,462	–	\$808,462
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Change in net assets	(\$475,948)	–	(\$475,948)
Net assets at beginning of year	(\$72,822)	–	(\$72,822)
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NET ASSETS AT END OF YEAR	(\$548,770)	–	(\$548,770)

EXHIBIT C

STATEMENT OF FUNCTIONAL EXPENSES

(FOR THE YEAR ENDED DECEMBER 31, 2006)

	Supporting Services			
	Program Services	Management and General	Fundraising	Total Expenses
Salaries and benefits	\$167,083	\$19,704	\$9,781	\$196,568
Printing and production	\$11,132	\$922	\$3,663	\$15,717
Professional fees	\$12,912	\$3,045	\$891	\$16,848
Occupancy	\$35,012	\$6,457	\$3,229	\$44,698
Insurance	\$19,460	\$2,310	\$1,124	\$22,894
Depreciation and amortization	\$137,426	\$24,861	\$1,280	\$163,567
Telecommunications	\$6,066	\$1,190	\$65	\$7,321
Travel and entertainment	\$41,818	\$5,547	\$2,986	\$50,351
Consulting fees	\$4,777	–	\$4,777	\$9,554
Postage and delivery	\$5,616	\$78	\$78	\$5,772
Repairs and maintenance	\$13,346	–	–	\$13,346
Supplies	\$136,870	–	–	\$136,870
Subscriptions and publications	\$1,722	\$6	–	\$1,728
Advertising and promotion	\$1,472	–	\$260	\$1,732
Events and meetings	\$2,379	\$152	–	\$2,531
Service fees	\$15,724	\$2,266	\$743	\$18,733
Donations and gifts	\$11,224	\$396	–	\$11,620
Trainings	\$2,564	\$198	\$250	\$3,012
Office expenses	\$75,418	\$3,034	\$2,382	\$80,834
Temporary help	\$1,301	\$153	\$77	\$1,531
Loss on sales of assets	\$138	\$8	\$16	\$162
Other	\$2,378	\$315	\$380	\$3,073
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TOTAL	\$ 705,838	\$70,642	\$31,982	\$808,462