

**FINANCIAL STATEMENTS**

**LEON H. SULLIVAN FOUNDATION**

**FOR THE YEARS ENDED  
DECEMBER 31, 2007 AND 2006**

# LEON H. SULLIVAN FOUNDATION

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**GELMAN, ROSENBERG & FREEDMAN**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Leon H. Sullivan Foundation  
Washington, D.C.

We have audited the accompanying statements of financial position of the Leon H. Sullivan Foundation as of December 31, 2007 and 2006, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Leon H. Sullivan Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide 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 the Leon H. Sullivan Foundation as of December 31, 2007 and 2006, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Gelman Rosenberg & Freedman*

March 24, 2008

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**LEON H. SULLIVAN FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2007 AND 2006**

**ASSETS**

	<b>2007</b>	<b>2006</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,283,277	\$ 691,447
Certificates of deposit	2,711,734	1,729,714
Contributions receivable, net of allowance for doubtful accounts of \$100,000 in 2007 and \$150,000 in 2006 (Note 7)	1,221,450	2,880,500
Other receivable	-	121,197
Prepaid expenses	11,738	10,713
Total current assets	5,228,199	5,433,571
<b>FURNITURE AND EQUIPMENT</b>		
Equipment	4,020	4,020
Furniture	80,105	80,105
Computer equipment	119,883	120,683
Bust	50,000	-
	254,008	204,808
Less: Accumulated depreciation and amortization	(168,040)	(128,378)
Net furniture and equipment	85,968	76,430
<b>OTHER ASSETS</b>		
Contributions receivable (Note 7)	-	937,632
Deposits	8,407	8,407
Total other assets	8,407	946,039
<b>TOTAL ASSETS</b>	<b>\$ 5,322,574</b>	<b>\$ 6,456,040</b>

## LIABILITIES AND NET ASSETS

	<u>2007</u>	<u>2006</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses (Note 9)	\$ 194,816	\$ 287,008
Accrued salaries and related benefits	34,968	-
Amounts held for others	5,181	15,473
Deferred income	<u>9,795</u>	<u>78,546</u>
Total liabilities	<u>244,760</u>	<u>381,027</u>
<b>NET ASSETS</b>		
Unrestricted	1,749,264	1,471,351
Temporarily restricted (Note 2)	-	350,000
Permanently restricted (Note 4)	<u>3,328,550</u>	<u>4,253,662</u>
Total net assets	<u>5,077,814</u>	<u>6,075,013</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 5,322,574</u></b>	<b><u>\$ 6,456,040</u></b>

**LEON H. SULLIVAN FOUNDATION**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUE</b>				
Contributions	\$ 1,412,946	\$ -	\$ 149,888	\$ 1,562,834
Foundation grants	78,546	-	-	78,546
Interest income	115,061	-	-	115,061
In-kind contributions (Note 6)	-	-	-	-
Conference	4,525	-	-	4,525
Sales	-	-	-	-
Other revenue	10	-	-	10
Net assets released from donor restrictions (Note 3)	<u>350,000</u>	<u>(350,000)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,961,088</u>	<u>(350,000)</u>	<u>149,888</u>	<u>1,760,976</u>
<b>EXPENSES</b>				
Program services:				
Summit	286,200	-	-	286,200
Africa Policy	84,436	-	-	84,436
Government Relations and Publications	70,379	-	-	70,379
Global Sullivan Principles	55,041	-	-	55,041
Meetings and Events	466,058	-	-	466,058
Public Relations	59,339	-	-	59,339
Entities	26,066	-	-	26,066
China Trilateral	72,466	-	-	72,466
Corporate Sponsor	150,000	-	-	150,000
Program Development	<u>74,523</u>	<u>-</u>	<u>-</u>	<u>74,523</u>
Total program services	<u>1,344,508</u>	<u>-</u>	<u>-</u>	<u>1,344,508</u>
Supporting services:				
Administration	973,797	-	-	973,797
Fundraising	<u>139,870</u>	<u>-</u>	<u>-</u>	<u>139,870</u>
Total supporting services	<u>1,113,667</u>	<u>-</u>	<u>-</u>	<u>1,113,667</u>
Total expenses	<u>2,458,175</u>	<u>-</u>	<u>-</u>	<u>2,458,175</u>
Changes in net assets before other items	<u>(497,087)</u>	<u>(350,000)</u>	<u>149,888</u>	<u>(697,199)</u>
<b>OTHER ITEMS</b>				
Reclassification of net assets (Note 4)	1,075,000	-	(1,075,000)	-
Contributions to related parties (Note 8)	<u>(300,000)</u>	<u>-</u>	<u>-</u>	<u>(300,000)</u>
Total other items	<u>775,000</u>	<u>-</u>	<u>(1,075,000)</u>	<u>(300,000)</u>
Changes in net assets	277,913	(350,000)	(925,112)	(997,199)
Net assets at beginning of year	<u>1,471,351</u>	<u>350,000</u>	<u>4,253,662</u>	<u>6,075,013</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 1,749,264</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,328,550</u></b>	<b><u>\$ 5,077,814</u></b>

See accompanying notes to financial statements.

<b>2006</b>			
<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
\$ 3,974,450	\$ -	\$ 102,930	\$ 4,077,380
117,454	-	-	117,454
65,973	-	-	65,973
130,245	-	-	130,245
267,122	-	-	267,122
25,243	-	-	25,243
250	-	-	250
<u>1,615,604</u>	<u>(1,615,604)</u>	<u>-</u>	<u>-</u>
<u>6,196,341</u>	<u>(1,615,604)</u>	<u>102,930</u>	<u>4,683,667</u>
2,478,949	-	-	2,478,949
67,243	-	-	67,243
97,711	-	-	97,711
83,486	-	-	83,486
559,971	-	-	559,971
78,991	-	-	78,991
9,277	-	-	9,277
117,453	-	-	117,453
100,000	-	-	100,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>3,593,081</u>	<u>-</u>	<u>-</u>	<u>3,593,081</u>
896,370	-	-	896,370
<u>117,824</u>	<u>-</u>	<u>-</u>	<u>117,824</u>
<u>1,014,194</u>	<u>-</u>	<u>-</u>	<u>1,014,194</u>
<u>4,607,275</u>	<u>-</u>	<u>-</u>	<u>4,607,275</u>
<u>1,589,066</u>	<u>(1,615,604)</u>	<u>102,930</u>	<u>76,392</u>
455,000	-	(455,000)	-
<u>(575,000)</u>	<u>-</u>	<u>-</u>	<u>(575,000)</u>
<u>(120,000)</u>	<u>-</u>	<u>(455,000)</u>	<u>(575,000)</u>
1,469,066	(1,615,604)	(352,070)	(498,608)
<u>2,285</u>	<u>1,965,604</u>	<u>4,605,732</u>	<u>6,573,621</u>
<b><u>\$ 1,471,351</u></b>	<b><u>\$ 350,000</u></b>	<b><u>\$ 4,253,662</u></b>	<b><u>\$ 6,075,013</u></b>

See accompanying notes to financial statements.

LEON H. SULLIVAN FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<b>Program Services</b>						
	<b>Government</b>			<b>Global</b>	<b>Meetings</b>		
	<b>Africa</b>	<b>Relations</b>	<b>and</b>	<b>Sullivan</b>	<b>and</b>	<b>Public</b>	
	<b>Summit</b>	<b>Policy</b>	<b>Publications</b>	<b>Principles</b>	<b>Events</b>	<b>Relations</b>	<b>Entities</b>
Salaries and benefits	\$ 170,790	\$ 78,843	\$ 69,113	\$ 51,158	\$ 140,320	\$ 49,172	\$ 20,699
Taxes and benefits	-	-	-	-	-	-	-
Printing, postage and supplies	20,883	871	252	305	16,286	242	160
Travel and meetings	87,177	3,651	247	3,162	255,952	2,560	5,207
Professional services	2,090	-	-	363	28,075	5,000	-
Occupancy and telephone (Note 5)	913	771	-	53	830	1,890	-
Depreciation and amortization	-	-	-	-	-	-	-
Contribution and other expenses	4,347	300	767	-	24,595	475	-
Bad debts	-	-	-	-	-	-	-
Delivery and express	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>\$ 286,200</b>	<b>\$ 84,436</b>	<b>\$ 70,379</b>	<b>\$ 55,041</b>	<b>\$ 466,058</b>	<b>\$ 59,339</b>	<b>\$ 26,066</b>

<u>Supporting Services</u>								
<u>China</u>	<u>Corporate</u>	<u>Program</u>	<u>Total</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>	
<u>Trilateral</u>	<u>Sponsor</u>	<u>Development</u>	<u>Program</u>	<u>Services</u>	<u>Services</u>	<u>Services</u>	<u>Expenses</u>	
\$ 4,759	\$ -	\$ 58,027	\$ 642,881	\$ 683,175	\$ 128,802	\$ 811,977	\$ 1,454,858	
-	-	14,587	14,587	-	-	-	14,587	
9,084	-	151	48,234	20,899	4,336	25,235	73,469	
20,022	-	576	378,554	8,494	1,561	10,055	388,609	
27,754	-	852	64,134	44,381	15	44,396	108,530	
22	-	-	4,479	159,272	-	159,272	163,751	
-	-	-	-	39,662	-	39,662	39,662	
10,825	-	300	41,609	17,914	5,156	23,070	64,679	
-	150,000	-	150,000	-	-	-	150,000	
-	-	30	30	-	-	-	30	
<b><u>\$ 72,466</u></b>	<b><u>\$ 150,000</u></b>	<b><u>\$ 74,523</u></b>	<b><u>\$ 1,344,508</u></b>	<b><u>\$ 973,797</u></b>	<b><u>\$ 139,870</u></b>	<b><u>\$ 1,113,667</u></b>	<b><u>\$ 2,458,175</u></b>	

LEON H. SULLIVAN FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<b>Program Services</b>					
	<b>Summit</b>	<b>Africa Policy</b>	<b>Government Relations and Publications</b>	<b>Global Sullivan Principles</b>	<b>Meetings and Events</b>	<b>Public Relations</b>
Salaries and benefits	\$ 283,159	\$ 60,301	\$ 2,635	\$ 8,955	\$ 66,920	\$ 63,396
Printing, postage and supplies	102,127	1,297	39,953	495	48,222	5,482
Travel and meetings	1,487,748	3,867	1,627	10,820	409,461	1,243
Professional services	446,716	1,170	53,796	63,186	31,793	5,020
Occupancy and telephone (Note 5)	70,379	308	-	30	2,065	-
Depreciation and amortization	-	-	-	-	-	-
Contribution and other expenses	88,820	300	(300)	-	1,510	3,850
Bad debts	-	-	-	-	-	-
<b>TOTAL</b>	<b><u>\$2,478,949</u></b>	<b><u>\$ 67,243</u></b>	<b><u>\$ 97,711</u></b>	<b><u>\$ 83,486</u></b>	<b><u>\$ 559,971</u></b>	<b><u>\$ 78,991</u></b>

<b>Supporting Services</b>							
<b>Entities</b>	<b>China Trilateral</b>	<b>Corporate Sponsor</b>	<b>Total Program Services</b>	<b>Administration</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	<b>Total Expenses</b>
\$ 6,816	\$ 682	\$ -	\$ 492,864	\$ 539,535	\$ 72,124	\$ 611,659	\$ 1,104,523
46	794	-	198,416	25,382	20,417	45,799	244,215
1,915	53,465	-	1,970,146	19,551	2,807	22,358	1,992,504
-	26,500	-	628,181	98,358	19,915	118,273	746,454
-	12	-	72,794	160,691	2,261	162,952	235,746
-	-	-	-	39,641	-	39,641	39,641
500	36,000	-	130,680	13,212	300	13,512	144,192
-	-	100,000	100,000	-	-	-	100,000
<b><u>\$ 9,277</u></b>	<b><u>\$ 117,453</u></b>	<b><u>\$ 100,000</u></b>	<b><u>\$ 3,593,081</u></b>	<b><u>\$ 896,370</u></b>	<b><u>\$ 117,824</u></b>	<b><u>\$ 1,014,194</u></b>	<b><u>\$ 4,607,275</u></b>

**LEON H. SULLIVAN FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (997,199)	\$ (498,608)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	39,662	39,641
(Increase) decrease in:		
Contributions receivable	2,596,682	1,009,070
Other receivable	121,197	(121,197)
Prepaid expenses	(1,025)	(128)
Increase (decrease) in:		
Accounts payable and accrued expenses	(92,192)	158,001
Accrued salaries and related benefits	34,968	-
Amounts held for others	(10,292)	-
Deferred income	<u>(68,751)</u>	<u>78,546</u>
Net cash provided by operating activities	<u>1,623,050</u>	<u>665,325</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture and computer equipment	(49,200)	(28,681)
Net proceeds (purchase) of certificates of deposit	<u>(982,020)</u>	<u>116,609</u>
Net cash provided (used) by investing activities	<u>(1,031,220)</u>	<u>87,928</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on line of credit	-	(42,609)
Net increase (decrease) in bank overdraft	<u>-</u>	<u>(66,152)</u>
Net cash provided (used) by financing activities	<u>-</u>	<u>(108,761)</u>
Net increase in cash and cash equivalents	591,830	644,492
Cash and cash equivalents at beginning of year	<u>691,447</u>	<u>46,955</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 1,283,277</u></b>	<b><u>\$ 691,447</u></b>

**LEON H. SULLIVAN FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007 AND 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

Organization -

The Leon H. Sullivan Foundation (the Foundation) is a nonprofit organization, established in 2001 to honor the life and legacy of a great African-American, civil rights pioneer and international humanitarian, and to promote the principles of self-help thereby empowering underprivileged peoples, and advocating social responsibility worldwide. The Foundation commenced operations in 2002. The Foundation is also responsible for orchestrating the Leon H. Sullivan Summit, a conference held every two years in Africa designed to enable African countries and the African-American community to focus on economic opportunity, empowerment, and outreach.

The Mission of the Foundation is to advocate for the poor and disadvantaged both at home and abroad-with a special focus on Africa. We will champion, promote, and support the principles and goals that Reverend Sullivan courageously and actively advanced; self-help, economic empowerment, human rights and corporate social responsibility. The Foundation will partner with other Sullivan Institutions and with other charitable organizations to achieve these goals and objectives.

- **The Opportunities Industrialization Centers of America (OIC)** - Founded in 1963 by Reverend Sullivan, the OICA provides employment training and retraining to underprivileged persons who lack necessary work skills.
- **The Opportunities Industrialization Centers International (OICI)** - OICI was established to mirror the OICA program in the U.S. and provides employment training services, trauma counseling, business management and instruction, and microcredit financing on a global scale.
- **International Foundation for Education and Self-Help (IFESH)** - IFESH provides peoples, predominantly in sub-Saharan Africa, with the tools to overcome barriers of poverty and oppression, helping them to help themselves, specifically through the operation and support of community-based programs in the areas of literacy, education, vocational training, agriculture, nutrition, and healthcare.

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 -

The Foundation 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, the Foundation 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.

**LEON H. SULLIVAN FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007 AND 2006**

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

Furniture and equipment -

Furniture and equipment are stated at cost. Furniture and equipment of at least \$1,000 are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to ten years. The cost of maintenance and repairs is recorded as expenses are incurred.

Income taxes -

The Foundation 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. The Foundation is not a private foundation.

Net asset classification -

The net assets are reported in three 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 the Foundation and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by the Foundation.

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.

LEON H. SULLIVAN FOUNDATION

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006

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

Functional allocation of expenses -

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

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

2. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Time Restriction	\$ <u>-</u>	\$ <u>350,000</u>

3. **NET ASSETS RELEASED FROM RESTRICTIONS**

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

	<u>2007</u>	<u>2006</u>
Time Restriction	\$ <u>350,000</u>	\$ <u>1,615,604</u>

4. **PERMANENTLY RESTRICTED NET ASSETS**

During 2003, the Foundation received contributions in support of its "Continuing the Journey Campaign," to establish an endowment, earnings from which will support programs of the Foundation and related entities.

A key Foundation stakeholder authorized the release of permanently restricted funds to provide for much needed capital infusion during 2007 and 2006. As such, for the years ending December 31, 2007 and 2006, \$1,075,000 and \$455,000, respectively in permanently restricted net assets were released from restriction.

5. **OPERATING LEASE**

On July 1, 2004, the Foundation entered into a five-year noncancellable office lease agreement expiring on May 31, 2009. As of December 31, 2007 and 2006, rent expense totaled \$108,723 and \$105,731, respectively.

**LEON H. SULLIVAN FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007 AND 2006**

**5. OPERATING LEASE (Continued)**

The Foundation's obligations for future minimum lease payments at December 31 are as follows:

**Years Ending December 31,**

2008		\$ 112,170
2009		<u>47,312</u>
		<b><u>\$ 159,482</u></b>

**6. IN-KIND CONTRIBUTIONS**

During 2006, the Foundation received in-kind support in the form of donated personnel without charge contributed by an organization whose President and Chairman once served on the Board of the Foundation. The estimated fair value of the services were reported as in-kind contributions and expense in the period in which the services are rendered. For the year ended December 31, 2006, in-kind contributions for contributed services were \$130,245. For the year ended December 31, 2007, there were no in-kind contributions.

**7. CONTRIBUTIONS RECEIVABLE**

Included in contributions receivable as of December 31, 2007 and 2006 are the following unconditional promises to give:

	<u>2007</u>	<u>2006</u>
Permanently restricted - "Continuing the Journey"	\$ 1,000,000	\$ 3,050,000
Temporarily restricted for the Summit and for other future programs	100,000	350,000
Other Sponsorship Commitments	221,450	668,000
Less discount (at 5.1%)	<u>-</u>	<u>(99,868)</u>
	1,321,450	3,968,132
Less allowance for doubtful accounts	<u>(100,000)</u>	<u>(150,000)</u>
	<b><u>\$ 1,221,450</u></b>	<b><u>\$ 3,818,132</u></b>

Pledges receivable as of December 31, 2006 and 2005 are due as follows:

	<u>2007</u>	<u>2006</u>
Less than one year	\$ 1,221,450	\$ 2,880,500
One to five years	<u>-</u>	<u>937,632</u>
	<b><u>\$ 1,221,450</u></b>	<b><u>\$ 3,818,132</u></b>

## LEON H. SULLIVAN FOUNDATION

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2007 AND 2006

#### 8. RELATED PARTY TRANSACTIONS

During 2007, the Foundation received a contribution of \$350,000, of which \$175,000 was designated for related organizations. Additionally, the Foundation received authorization to release \$125,000 in permanently restricted funds for the same related organization (Note 4). In accordance with the donor's designations, the Foundation paid these related organizations \$300,000, which is reflected as contributions to related parties.

During 2006, the Foundation received a contribution of \$950,000, of which \$575,000 was designated for related organizations. In accordance with the donor's designations, the Foundation paid these related organizations \$575,000, which is reflected as contributions to related parties.

#### 9. COMMITMENTS AND CONTINGENCIES

In April 2004, a lawsuit was filed in the Superior Court for the State of Massachusetts against the Foundation and IFESH (Wyly vs. the Foundation and IFESH) for specified damages. The lawsuit alleges that the Foundation and IFESH failed to compensate an individual for services rendered as an independent contractor. The Foundation and IFESH removed the lawsuit to the U.S. District Court for the District of Massachusetts. Both parties filed answers denying the allegations. The parties have reached an agreement to settle the dispute by means of payments from both parties to Dr. Wyly over a three-year period totaling \$150,000. Final documentation of this settlement was completed in May 2005, after which the case was settled without prejudice. Accordingly, the Foundation has made a provision for \$100,000 representing its portion of the settlement. At December 31, 2007 and 2006, the outstanding balance was \$0 and \$30,000, respectively, which is included in accounts payable and other long-term liabilities.

#### 10. LINE OF CREDIT

On February 23, 2005, the Foundation obtained a line of credit with a financial institution totaling \$200,000. The loan agreement entails interest only payments commencing on March 23, 2005. Interest shall accrue on the unpaid principal balance of the note from the date hereof at the Bank's Prime Rate (7.25%). The loan, including unpaid principal and interest, was due on February 23, 2006. At December 31, 2006, \$0 was outstanding on the line of credit.

The Foundation renewed its line of credit with the same financial institution expiring on February 23, 2009. At December 31, 2007, \$0 was outstanding on the line of credit.