

**AFRICA FIGHTING MALARIA INTERNATIONAL, INC**

**Financial Statements for Years End December 31, 2009 and 2008  
and Independent Auditors' Report  
Dated September 29, 2010**

**HENDERSHOT, BURKHARDT & REED  
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**Africa Fighting Malaria International, Inc.**  
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Africa Fighting Malaria International, Inc.  
Washington, DC 20036

We have audited the accompanying statements of financial position of Africa Fighting Malaria International, Inc. (the Organization) as of December 31, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years 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 audits.

We conducted our audits in accordance with the 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 misstatements. 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 Africa Fighting Malaria International, Inc., as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Hendershot, Burkhardt & Reed, CPAs*  
Hendershot, Burkhardt & Reed  
Certified Public Accountants  
September 29, 2010

**Africa Fighting Malaria International, Inc.**  
**Statements of Position**  
**As of December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 104,295	\$ 176,351
Accounts receivable	57,220	-
Prepaid expenses	<u>1,785</u>	<u>271</u>
Total Current Assets	163,300	176,622
<b>Property and Equipment</b>		
Website	19,650	19,650
Office and computer equipment	10,352	8,601
Accumulated depreciation and amortization	<u>(25,852)</u>	<u>(17,589)</u>
Property and equipment, net	4,150	10,662
<b>Other Assets</b>		
Security deposit	<u>-</u>	<u>3,990</u>
Total Other Assets	<u>-</u>	<u>3,990</u>
<b>TOTAL ASSETS</b>	<u><u>167,450</u></u>	<u><u>191,274</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	4,061	80
Payroll liabilities	<u>4,777</u>	<u>2,895</u>
Total Liabilities	8,838	2,975
<b>Net Assets</b>		
Unrestricted net assets	101,392	175,249
Temporarily restricted net assets	<u>57,220</u>	<u>13,050</u>
Total Net Assets	<u>158,612</u>	<u>188,299</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 167,450</u></u>	<u><u>\$ 191,274</u></u>

See the accompanying Independent Auditors' Report and notes to the financial statements

**Africa Fighting Malaria International, Inc.**  
**Statements of Activities**  
**For the Years Ended December 31, 2009 and 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2009 Total</u>
<b>Contributions and Revenues</b>			
Grants	\$ 171,660	\$ 57,220	\$ 228,880
Contributions	30,143	-	30,143
Miscellaneous Income	8,450	-	8,450
Interest income	641	-	641
Released from restriction	<u>13,050</u>	<u>(13,050)</u>	<u>-</u>
Total Contributions and Revenues	223,944	44,170	268,114
<b>Expenses</b>			
Program expenses	238,676	-	238,676
General and administrative expenses	36,140	-	36,140
Fundraising expenses	<u>22,985</u>	<u>-</u>	<u>22,985</u>
Total Expenses	<u>297,801</u>	<u>-</u>	<u>297,801</u>
<b>Change in Net Assets</b>	(73,857)	44,170	(29,687)
Net Assets, Beginning of Year	<u>175,249</u>	<u>13,050</u>	<u>188,299</u>
<b>Net Assets, End of Year</b>	<u>\$ 101,392</u>	<u>\$ 57,220</u>	<u>\$ 158,612</u>

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2008 Total</u>
<b>Contributions and Revenues</b>			
Contributions	\$ 298,052	\$ 13,050	\$ 311,102
Other income	5,018	-	-
Interest income	<u>2,820</u>	<u>-</u>	<u>2,820</u>
Total Contributions and Revenues	305,890	13,050	318,940
<b>Expenses</b>			
Program expenses	299,454	-	299,454
General and administrative expenses	67,828	-	67,828
Fundraising expenses	<u>31,965</u>	<u>-</u>	<u>31,965</u>
Total Expense	<u>399,247</u>	<u>-</u>	<u>399,247</u>
<b>Change in Net Assets</b>	(93,357)	13,050	(80,307)
Net Assets, Beginning of Year	<u>268,606</u>	<u>-</u>	<u>268,606</u>
<b>Net Assets, End of Year</b>	<u>\$ 175,249</u>	<u>\$ 13,050</u>	<u>\$ 188,299</u>

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**Africa Fighting Malaria International, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>Cash Provided/(Used) by Operating Activities</b>		
Change in net assets	\$ (29,687)	\$ (80,307)
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:		
Depreciation and amortization	8,263	8,270
Changes in assets and liabilities:		
Accounts receivable	(57,220)	-
Prepaid expenses	(1,514)	(271)
Deposits	3,990	(1,390)
Accounts payable	3,981	(4,347)
Payroll liabilities	<u>1,882</u>	<u>(967)</u>
Net Cash Used by Operating Activities	(70,305)	(79,012)
<b>Cash Provided/(Used) by Investing Activities</b>		
Purchases of property and equipment	<u>(1,751)</u>	<u>-</u>
Net Cash Used by Investing Activities	(1,751)	-
<b>Cash Provided by Financing Activities</b>	<u>-</u>	<u>-</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(72,056)	(79,012)
Cash and Cash Equivalents, Beginning of Year	<u>176,351</u>	<u>255,363</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 104,295</u></u>	<u><u>\$ 176,351</u></u>

See the accompanying Independent Auditors' Report and notes to the financial statements

**Africa Fighting Malaria International, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended December 30, 2009**

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Wages	\$ 79,778	\$ 20,812	\$ 15,031	\$ 115,621
Consulting and contract services	46,275	180	-	46,455
Grant expense	35,371	-	-	35,371
Travel	25,640	2	2	25,644
Rent	14,345	3,742	2,703	20,790
Insurance	7,752	2,022	1,460	11,234
Payroll taxes	7,087	1,849	1,335	10,271
Depreciation and amortization	5,703	1,487	1,073	8,263
Telephone	4,744	1,047	756	6,547
Printing and publishing	5,212	26	19	5,257
Office expense	4,175	136	85	4,396
Website	1,951	461	513	2,925
Accounting	-	2,790	-	2,790
Miscellaneous	43	1,586	8	1,637
Dues and subscriptions	600	-	-	600
	<u>\$ 238,676</u>	<u>\$ 36,140</u>	<u>\$ 22,985</u>	<u>\$ 297,801</u>

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**Africa Fighting Malaria International, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2008**

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Wages	\$ 121,042	\$ 34,583	\$ 17,292	\$ 172,917
Grant expense	112,025	-	-	112,025
Rent	19,816	5,662	2,830	28,308
Payroll taxes	9,861	2,904	1,408	14,173
Accounting	-	13,105	-	13,105
Insurance	7,279	2,454	1,039	10,772
Travel	9,107	121	554	9,782
Depreciation and amortization	5,789	827	1,654	8,270
Telephone	5,567	1,217	748	7,532
Consulting fees	5,800	650	800	7,250
Miscellaneous	82	4,465	260	4,807
Dues and subscriptions	1,357	-	1,286	2,643
Website	-	-	2,438	2,438
Office supplies	101	1,840	-	1,941
Legal fees	1,628	-	-	1,628
Printing	-	-	958	958
Advertising	-	-	698	698
	<u>\$ 299,454</u>	<u>\$ 67,828</u>	<u>\$ 31,965</u>	<u>\$ 399,247</u>

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**Africa Fighting Malaria International, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2009 and 2008**

**A. ORGANIZATION**

Africa Fighting Malaria International, Inc. (the Organization) was incorporated in the District of Columbia on March 20, 2003. The IRS notified the Organization on June 11, 2003 that they were classified as a public foundation under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3). The Organization is a health advocacy group based in South Africa and the United States and promotes sound, science based interventions to prevent the spread of malaria and to treat malaria patients. The Organization notes the strong correlation between reduced disease burden and increased economic freedom. In its work it therefore promotes market based solutions and economic freedom as the best ways to ensure improved welfare and longer life expectancy in poor countries.

**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Cash and Cash Equivalents - For financial statement purposes, the Organization considers all highly liquid investments with original maturities at date of acquisition of three months or less to be cash equivalents.

Revenue Recognition - The Organization reports gifts of cash and other assets as restricted support if they are received with donor or time stipulations that limit the use of the donated assets. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When the donor or time restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gifts of land, buildings, equipment, and other long-lived assets are also reported as unrestricted revenue and net assets, unless subject to time restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

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 functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes - The Organization is classified as a Section 501(c)(3) organization, as described in Section 501(a) of the Internal Revenue Code, and is exempt from federal and state income taxes, except for taxes on unrelated business income, if any. Contributions to the organization are tax deductible.

**Africa Fighting Malaria International, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2009 and 2008**

**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

Property, Equipment, and Intangible Assets - Property and equipment are stated at cost and depreciated by use of the straight line method over the useful life of the assets. When property is disposed, the cost and related accumulated depreciation are removed from the respective accounts and the resulting gain or loss is reflected in earnings. Expenditures for maintenance and repairs, which do not materially extend the useful lives of assets, are charged to earnings.

Estimates and Assumptions - The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**C. PROPERTY, EQUIPMENT, AND INTANGIBLE ASSETS**

Depreciation expense was \$1,713 and \$1,720 for 2009 and 2008, respectively.

The Organization's website costs consist of funds spent on the development of a new website which was launched in January 2007. Amortization expense related to the website was \$6,550 and \$6,550 for 2009 and 2008, respectively.

**D. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following as of December 31:

	<u>2009</u>	<u>2008</u>
Malaria taxes and tariffs advocacy project	\$44,870	\$ -
Time restriction only	12,350	-
Study of counterfeit drugs	-	11,050
March of Washingtons	-	<u>2,000</u>
Total	<u>\$57,220</u>	<u>\$13,050</u>

**D. OPERATING LOSSES**

The Organization sustained significant operating losses in each of the last five years.