

**FINANCIAL STATEMENTS**

**LEON H. SULLIVAN FOUNDATION**

**FOR THE YEARS ENDED  
DECEMBER 31, 2008 AND 2007**

# 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 (the Foundation) as of December 31, 2008 and 2007, 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 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 Foundation as of December 31, 2008 and 2007, 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 12, 2009

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**LEON H. SULLIVAN FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2008 AND 2007**

**ASSETS**

	<b>2008</b>	<b>2007</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 729,770	\$ 1,283,277
Certificates of deposit	1,537,451	2,711,734
Accounts receivable from employees (Note 5)	13,835	-
Contributions receivable, net of allowance for doubtful accounts of \$188,580 in 2008 and \$100,000 in 2007 (Note 4)	452,910	1,221,450
Prepaid expenses	2,292	11,738
Total current assets	2,736,258	5,228,199
<b>FURNITURE AND EQUIPMENT</b>		
Equipment	4,020	4,020
Furniture	80,105	80,105
Computer equipment	119,883	119,883
Bust	50,000	50,000
	254,008	254,008
Less: Accumulated depreciation and amortization	(192,832)	(168,040)
Net furniture and equipment	61,176	85,968
<b>OTHER ASSETS - Deposits</b>	8,407	8,407
<b>TOTAL ASSETS</b>	<b>\$ 2,805,841</b>	<b>\$ 5,322,574</b>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 30,544	\$ 194,816
Accrued salaries and related benefits	32,047	34,968
Amounts held for others	28,334	5,181
Deferred income	-	9,795
Total liabilities	90,925	244,760

**NET ASSETS**

Unrestricted	1,586,366	1,749,264
Permanently restricted	1,128,550	3,328,550
Total net assets	2,714,916	5,077,814
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,805,841</b>	<b>\$ 5,322,574</b>

See accompanying notes to financial statements.

**LEON H. SULLIVAN FOUNDATION**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	2008			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUE</b>				
Contributions	\$ 1,829,730	\$ -	\$ -	\$ 1,829,730
Foundation grants	-	-	-	-
Interest income	2,038	92,465	-	94,503
Conference	913,625	-	-	913,625
Other revenue	4,125	-	-	4,125
Net assets released from donor restrictions (Note 2)	<u>92,465</u>	<u>(92,465)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>2,841,983</u>	<u>-</u>	<u>-</u>	<u>2,841,983</u>
<b>EXPENSES</b>				
Program Services:				
Summit	3,339,043	-	-	3,339,043
Africa Policy	62,358	-	-	62,358
Government Relations and Publications	145,293	-	-	145,293
Global Sullivan Principles	62,366	-	-	62,366
Meetings and Events	138,315	-	-	138,315
Public Relations	75,778	-	-	75,778
Entities	30,924	-	-	30,924
China Trilateral	4,080	-	-	4,080
Corporate Sponsor	91	-	-	91
Program Development	<u>65,792</u>	<u>-</u>	<u>-</u>	<u>65,792</u>
Total program services	<u>3,924,040</u>	<u>-</u>	<u>-</u>	<u>3,924,040</u>
Supporting Services:				
Administration	1,006,300	-	-	1,006,300
Fundraising	<u>74,541</u>	<u>-</u>	<u>-</u>	<u>74,541</u>
Total supporting services	<u>1,080,841</u>	<u>-</u>	<u>-</u>	<u>1,080,841</u>
Total expenses	<u>5,004,881</u>	<u>-</u>	<u>-</u>	<u>5,004,881</u>
Changes in net assets before other items	<u>(2,162,898)</u>	<u>-</u>	<u>-</u>	<u>(2,162,898)</u>
<b>OTHER ITEMS</b>				
Reclassification of net assets	2,200,000	-	(2,200,000)	-
Contributions to related parties (Note 5)	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>
Total other items	<u>2,000,000</u>	<u>-</u>	<u>(2,200,000)</u>	<u>(200,000)</u>
Changes in net assets	(162,898)	-	(2,200,000)	(2,362,898)
Net assets at beginning of year	<u>1,749,264</u>	<u>-</u>	<u>3,328,550</u>	<u>5,077,814</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 1,586,366</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,128,550</u></b>	<b><u>\$ 2,714,916</u></b>

See accompanying notes to financial statements.

<b>2007</b>			
<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
\$ 1,412,946	\$ -	\$ 149,888	\$ 1,562,834
78,546	-	-	78,546
4,288	110,773	-	115,061
4,525	-	-	4,525
10	-	-	10
<u>460,773</u>	<u>(460,773)</u>	<u>-</u>	<u>-</u>
<u>1,961,088</u>	<u>(350,000)</u>	<u>149,888</u>	<u>1,760,976</u>
286,200	-	-	286,200
84,435	-	-	84,435
70,379	-	-	70,379
55,041	-	-	55,041
466,059	-	-	466,059
59,338	-	-	59,338
26,067	-	-	26,067
72,466	-	-	72,466
150,000	-	-	150,000
<u>74,523</u>	<u>-</u>	<u>-</u>	<u>74,523</u>
<u>1,344,508</u>	<u>-</u>	<u>-</u>	<u>1,344,508</u>
973,797	-	-	973,797
<u>139,870</u>	<u>-</u>	<u>-</u>	<u>139,870</u>
<u>1,113,667</u>	<u>-</u>	<u>-</u>	<u>1,113,667</u>
<u>2,458,175</u>	<u>-</u>	<u>-</u>	<u>2,458,175</u>
<u>(497,087)</u>	<u>(350,000)</u>	<u>149,888</u>	<u>(697,199)</u>
1,075,000	-	(1,075,000)	-
<u>(300,000)</u>	<u>-</u>	<u>-</u>	<u>(300,000)</u>
<u>775,000</u>	<u>-</u>	<u>(1,075,000)</u>	<u>(300,000)</u>
277,913	(350,000)	(925,112)	(997,199)
<u>1,471,351</u>	<u>350,000</u>	<u>4,253,662</u>	<u>6,075,013</u>
<u>\$ 1,749,264</u>	<u>\$ -</u>	<u>\$ 3,328,550</u>	<u>\$ 5,077,814</u>

See accompanying notes to financial statements.

**LEON H. SULLIVAN FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Program Services</b>						
	<b>Government</b>			<b>Global</b>	<b>Meetings</b>	<b>Public</b>	
	<b>Africa</b>	<b>Relations</b>	<b>and</b>	<b>Sullivan</b>	<b>and</b>	<b>Relations</b>	<b>Entities</b>
	<b>Summit</b>	<b>Policy</b>	<b>Publications</b>	<b>Principles</b>	<b>Events</b>	<b>Events</b>	<b>Relations</b>
Salaries	\$ 259,762	\$ 46,976	\$ 102,867	\$ 46,648	\$ 60,615	\$ 51,186	\$ 19,537
Taxes and benefits	77,929	10,533	25,027	13,994	16,682	11,129	3,057
Printing, postage and supplies	190,847	340	9,022	227	5,172	331	21
Meetings and events	1,844,479	62	166	91	53,500	679	743
Professional services	287,674	2,700	584	-	-	6,500	-
Occupancy and telephone (Note 3)	12,976	60	-	191	846	2,480	60
Depreciation and amortization	-	-	-	-	-	-	-
Contribution and other expenses	19,122	300	600	-	1,072	300	-
Bad debts	88,580	-	-	-	-	-	-
Travel	<u>557,674</u>	<u>1,387</u>	<u>7,027</u>	<u>1,215</u>	<u>428</u>	<u>3,173</u>	<u>7,506</u>
<b>TOTAL</b>	<b><u>\$ 3,339,043</u></b>	<b><u>\$ 62,358</u></b>	<b><u>\$ 145,293</u></b>	<b><u>\$ 62,366</u></b>	<b><u>\$ 138,315</u></b>	<b><u>\$ 75,778</u></b>	<b><u>\$ 30,924</u></b>

<u>Supporting Services</u>								
<u>China</u>	<u>Corporate</u>	<u>Program</u>	<u>Total</u>			<u>Total</u>	<u>Total</u>	
<u>Trilateral</u>	<u>Sponsor</u>	<u>Development</u>	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Supporting</u>	<u>Services</u>	<u>Expenses</u>
			<u>Services</u>					
\$ -	\$ -	\$ 49,332	\$ 636,923	\$ 470,476	\$ 48,160	\$ 518,636	\$ 1,155,559	
-	-	14,436	172,787	129,300	12,537	141,837	314,624	
-	88	48	206,096	25,513	6,613	32,126	238,222	
-	3	373	1,900,096	3,716	15	3,731	1,903,827	
-	-	1,603	299,061	147,115	120	147,235	446,296	
-	-	-	16,613	171,300	6,579	177,879	194,492	
-	-	-	-	24,793	-	24,793	24,793	
4,080	-	-	25,474	18,471	517	18,988	44,462	
-	-	-	88,580	-	-	-	88,580	
-	-	-	578,410	15,616	-	15,616	594,026	
<u>\$ 4,080</u>	<u>\$ 91</u>	<u>\$ 65,792</u>	<u>\$ 3,924,040</u>	<u>\$ 1,006,300</u>	<u>\$ 74,541</u>	<u>\$ 1,080,841</u>	<u>\$ 5,004,881</u>	

**LEON H. SULLIVAN FOUNDATION**

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

	<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>	<b>Entities</b>
Salaries	\$ 134,684	\$ 60,649	\$ 54,042	\$ 39,247	\$ 108,096	\$ 37,525	\$ 15,681
Taxes and benefits	36,106	18,194	15,071	11,786	32,225	11,585	5,018
Printing, postage and supplies	20,883	871	252	345	14,122	242	160
Meetings and events	5,635	22	-	220	246,756	1,077	571
Professional services	2,090	-	-	363	28,075	5,000	-
Occupancy and telephone (Note 3)	913	771	-	53	830	1,890	-
Depreciation and amortization	-	-	-	-	-	-	-
Contribution and other expenses	4,347	300	767	-	24,595	475	-
Bad debts	-	-	-	-	-	-	-
Travel	<u>81,542</u>	<u>3,628</u>	<u>247</u>	<u>3,027</u>	<u>11,360</u>	<u>1,544</u>	<u>4,637</u>
<b>TOTAL</b>	<b><u>\$ 286,200</u></b>	<b><u>\$ 84,435</u></b>	<b><u>\$ 70,379</u></b>	<b><u>\$ 55,041</u></b>	<b><u>\$ 466,059</u></b>	<b><u>\$ 59,338</u></b>	<b><u>\$ 26,067</u></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>Administration</u>	<u>Fundraising</u>	<u>Supporting</u>	<u>Expenses</u>
\$ 3,571	\$ -	\$ 58,027	\$ 511,522	\$ 541,662	\$ 98,275	\$ 639,937	\$ 1,151,459	
1,188	-	14,587	145,760	140,057	29,236	169,293	315,053	
9,084	-	181	46,140	20,899	4,336	25,235	71,375	
13,312	-	576	268,169	4,181	30	4,211	272,380	
27,754	-	-	63,282	48,205	15	48,220	111,502	
22	-	852	5,331	159,272	-	159,272	164,603	
-	-	-	-	39,662	-	39,662	39,662	
10,825	-	300	41,609	16,267	6,447	22,714	64,323	
-	150,000	-	150,000	-	-	-	150,000	
<u>6,710</u>	<u>-</u>	<u>-</u>	<u>112,695</u>	<u>3,592</u>	<u>1,531</u>	<u>5,123</u>	<u>117,818</u>	
<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**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (2,362,898)	\$ (997,199)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	24,792	39,662
(Increase) decrease in:		
Accounts receivable from employees	(13,835)	-
Contributions receivable	768,540	2,596,682
Other receivable	-	121,197
Prepaid expenses	9,446	(1,025)
Increase (decrease) in:		
Accounts payable and accrued expenses	(164,272)	(92,192)
Accrued salaries and related benefits	(2,921)	34,968
Amounts held for others	23,153	(10,292)
Deferred income	<u>(9,795)</u>	<u>(68,751)</u>
Net cash provided (used) by operating activities	<u>(1,727,790)</u>	<u>1,623,050</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture and computer equipment	-	(49,200)
Net proceeds (purchase) of certificates of deposit	<u>1,174,283</u>	<u>(982,020)</u>
Net cash provided (used) by investing activities	<u>1,174,283</u>	<u>(1,031,220)</u>
Net increase (decrease) in cash and cash equivalents	(553,507)	591,830
Cash and cash equivalents at beginning of year	<u>1,283,277</u>	<u>691,447</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 729,770</u></b>	<b><u>\$ 1,283,277</u></b>

## LEON H. SULLIVAN FOUNDATION

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

#### 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. The Foundation champions, promotes, and supports 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 (OICA)** - 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, 2008 AND 2007

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, 2008 AND 2007**

**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.

Fair value measurements -

The Foundation adopted the provisions of Statement of Financial Accounting Standards No. 157, entitled *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and enhances disclosure requirements for fair value measurements. The inputs used to measure fair value are assumptions that management participants would use in pricing assets and liabilities, including assumptions about risks. The Foundation accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

**2. 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:

	<b>2008</b>	<b>2007</b>
Endowed Investment Earnings used for General Operations	\$ 92,465	\$ 110,773
Time Restriction	-	350,000
	<b>\$ 92,465</b>	<b>\$ 460,773</b>

**3. 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, 2008 and 2007, rent expense totaled \$112,320 and \$108,723, respectively. The Foundation's obligations for future minimum lease payments at December 31st are as follows:

<b>Year Ending December 31, 2009</b>	<b>\$ <u>47,312</u></b>
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**LEON H. SULLIVAN FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008 AND 2007**

**4. CONTRIBUTIONS RECEIVABLE**

Included in contributions receivable as of December 31, 2008 and 2007 are the following unconditional promises to give:

	<u>2008</u>	<u>2007</u>
Permanently restricted - "Continuing the Journey"	\$ -	\$ 1,000,000
Temporarily restricted for the Summit and for other future programs	100,000	100,000
Other Sponsorship Commitments	<u>541,490</u>	<u>221,450</u>
	641,490	1,321,450
Less: Allowance for doubtful accounts	<u>(188,580)</u>	<u>(100,000)</u>
	<u>\$ 452,910</u>	<u>\$ 1,221,450</u>

**5. RELATED PARTY TRANSACTIONS**

During 2008, the Foundation received authorization to release \$2,200,000 in permanently restricted funds, of which \$200,000 was designated for a related organization. In accordance with the donor's designations, the Foundation paid this related organization \$200,000, which is reflected as contributions to related parties.

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

During 2008, the Foundation was owed funds from the President and Chief Executive Officer. The total amount of \$13,835 was settled in full subsequent to year-end.

**6. LINE OF CREDIT**

The Foundation obtained a line of credit with a financial institution totaling \$200,000. Interest shall accrue on any unpaid principal balance of the note at the Bank's Prime Rate (7.25%). The Foundation renewed its line of credit with the same financial institution expiring on February 23, 2009. At December 31, 2008 and 2007, \$0 was outstanding on the line of credit.

**LEON H. SULLIVAN FOUNDATION**

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**7. ENDOWMENT**

The Foundation's endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization

Endowment net asset composition by type of fund as of December 31, 2008:

**Donor-Restricted Endowment Funds** **\$ 1,128,550**

Changes in endowment net assets for the year ended December 31, 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	-	3,328,550	3,328,550
Interest income	-	92,465	-	92,465
Appropriation of endowment assets for expenditure	92,465	(92,465)	-	-
Other changes:				
Release of net assets	2,200,000	-	(2,200,000)	-
Operational expenses	<u>(2,292,465)</u>	<u>-</u>	<u>-</u>	<u>(2,292,465)</u>
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,128,550</u></b>	<b><u>\$ 1,128,550</u></b>

During 2008, a key Foundation stakeholder authorized the release of permanently restricted funds to provide for much needed capital infusion to provide for funding of current operations. As of December 31, 2008, the funding was spent in its entirety.

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**7. ENDOWMENT (Continued)**

Endowment net asset composition by type of fund as of December 31, 2007:

**Donor-Restricted Endowment Funds** **\$ 3,328,550**

Changes in endowment net assets for the year ended December 31, 2007:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	-	4,253,662	4,253,662
Net asset reclassification based on change in law	-	-	-	-
Endowment net assets after reclassification	-	-	4,253,662	4,253,662
Investment income	-	110,773	-	110,773
Contributions	-	-	149,888	149,888
Appropriation of endowment assets for expenditure	110,773	(110,773)	-	-
Other changes:				
Release of net assets	1,075,000	-	(1,075,000)	-
Operational expenses	(1,185,773)	-	-	(1,185,773)
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,328,550</u></b>	<b><u>\$ 3,328,550</u></b>

During 2007, a key Foundation stakeholder authorized the release of permanently restricted funds to provide for much needed capital infusion to provide for funding of current operations. As of December 31, 2008, the funding was spent in its entirety (see Note 6).

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (Endowment only):

	<u>2008</u>	<u>2007</u>
<b>Permanently Restricted Net Assets:</b>		
(1) The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA	<b><u>\$ 1,128,550</u></b>	<b><u>3,328,550</u></b>
<b>Temporarily Restricted Net Assets:</b>		
(2) The portion of perpetual endowment funds subject to a time restriction under SPMIFA: Without purpose restrictions	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

**LEON H. SULLIVAN FOUNDATION**  
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**7. ENDOWMENT (Continued)**

Funds with Deficiencies -

Apart from authorized releases from donor-restricted funds, the fair value of assets associated with the restricted endowment funds has not fallen below the level that the donor requires the organization to retain as a fund of perpetual duration. Funds are invested in a short-term fixed deposit instrument.

Return Objectives and Risk Parameters -

The Foundation adopted a conservative investment and spending policy for endowment assets that attempts to protect the corpus while deriving a predictable stream of funding for operations. Investment earnings derived from the endowment (from inception to date) have been spent on general operations. The Board of Directors supported an investment policy that considers only fairly liquid investment grade instruments while assuming a moderate to low level of risk.

Strategies Employed for Achieving Objectives -

Investment earnings or portion of funds not classified as permanently restricted, are considered authorized for operation and duly appropriated, upon the approval of the annual budget by the Board of Directors. Notwithstanding, investment earnings will be classified as temporarily restricted net assets, and released for operations systematically as needed. Further, in periods where the organization records a deficit, the proportionate share of the loss impact on unrestricted net asset will be reclassified to temporarily restricted net asset as unrealized loss, to the extent of investment earnings.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

The Foundation has a policy of using the investment earnings derived from the endowment on general operations. Upon approval of the annual budget by the Board of Directors, said funds are duly appropriated and authorized for operations. To achieve this objective, the Board of Directors supports an investment policy that considers only fairly liquid investment grade instruments while assuming a moderate to low level of risk.