

TrustAfrica

Independent Auditor's Report
Year ended March 31, 2008

June 2008

RACINE - Member of Ernst & Young

TrustAfrica

Independent Auditor's Report

Year ended March 31, 2008

To: Board of Trustees
TrustAfrica

Report on the Financial Statements

We have audited the accompanying financial statements of TrustAfrica, which comprise the balance sheet as of March 31, 2008, and the income statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles described in note 3. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan

and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of TrustAfrica as of March 31, 2008, and the results of its operations for the year then ended in accordance with the accounting principles described in note 3.

Makha Sy
Partner

June 30, 2008

RACINE
MEMBER OF ERNST & YOUNG
22, Rue Ramez Bourgi
BP 545 - Dakar/Senegal

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1. Financial statements as of March 31, 2008

1.1 Balance sheet

| | Note | USD March 31, 2008 | USD March 31, 2007 |
|------------------------------------|------|-----------------------|-----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 4.1 | 7,323,261 | 3,434,233 |
| Accounts receivables | | 10,600 | 1,302 |
| Prepaid expenses and other | 4.2 | 29,470 | 34,468 |
| Other receivables | | 1,393 | 1,891 |
| | | <u>7,364,724</u> | <u>3,471,894</u> |
| Non-current assets | | | |
| Fixed assets | 4.3 | 201,763 | 243,656 |
| Total assets | | <u>7,566,487</u> | <u>3,715,550</u> |
| LIABILITIES AND EQUITY | | | |
| Current liabilities | | | |
| Accounts payable | 4.4 | 34,063 | 37,472 |
| Accrued expenses | 4.5 | 26,203 | 9,792 |
| Grants payable | 4.6 | 2,346,953 | 2,144,500 |
| Total current liabilities | | <u>2,407,219</u> | <u>2,191,764</u> |
| Equity | | | |
| Equity | 4.7 | 1,523,786 | 344,119 |
| Net income | | 3,635,483 | 1,179,667 |
| Total equity | | <u>5,159,269</u> | <u>1,523,786</u> |
| Total liabilities and fund balance | | 7,566,487 | 3,715,550 |

1.2 Income statement

| | Note | USD March 31, 2008 | USD March 31, 2007 |
|-------------------------------------|------|-----------------------|-----------------------|
| Income | | | |
| Individual contributions | | 8,096 | 18,511 |
| Corporate and Foundation Grants | 4.8 | 6,550,091 | 3,981,776 |
| Donated travel | | 18,122 | - |
| Investment income | 4.9 | 243,035 | 76,666 |
| Total income | | <u>6,819,344</u> | <u>4,076,953</u> |
| Expenses | | | |
| Grants | 4.10 | (1,671,186) | (2,144,500) |
| Workshop/technical assistance | 4.11 | (328,336) | (133,758) |
| Salaries and other expenses | 4.12 | (500,852) | (146,720) |
| Pension plan contributions | | 11,640 | (11,640) |
| Other employee benefits | | (66,226) | (41,052) |
| Payroll taxes | | (16,141) | (29,678) |
| Consultants & professional fees | 4.13 | (266,794) | (160,242) |
| Workshops | | - | (484) |
| Payroll expenses | | (342) | - |
| Supplies | | (29,661) | (17,932) |
| Telecommunication | | (13,615) | (6,707) |
| Postage & delivery | | (9,943) | (1,249) |
| Occupancy expense | | (89,213) | (69,497) |
| Equipment & maintenance | | (15,222) | (15,642) |
| Printing & publications | | (27,154) | (11,385) |
| Travel | | (11,117) | (17,640) |
| Conference & meetings | | (62,505) | (7,007) |
| Depreciation & amortization | | (43,365) | (21,191) |
| Insurance-general | | (6,132) | (2,851) |
| Membership Dues | | (2,249) | - |
| Bank charges & fees | | (8,237) | (13,392) |
| Other expenses | | (23,211) | (30) |
| Staff recruitment and Relocation | | (4,000) | (44,689) |
| Total expenses | | <u>(3,183,861)</u> | <u>(2,897,286)</u> |
| Excess of contribution | | 3,635,483 | 1,179,667 |

2. General information on TrustAfrica

TrustAfrica, first known as the Special Initiative for Africa, began its activities in 2001 under the aegis of the Ford Foundation. The premise was that Africans need a greater voice in the international donor community as well as philanthropic resources that Africans control.

In 2006, TrustAfrica became a truly African foundation with the opening of its new headquarters in Dakar, Senegal. The Ford Foundation continues to provide support, but it is now an independent organization governed solely by Africans.

TrustAfrica is a new African foundation that supports efforts to promote continent-wide peace, integration and citizenship. It is incorporated in Washington, DC, USA as a tax-exempt public charity, and has a location agreement (Accord de siege) with the Government of Senegal, which grants it tax exempt status and diplomatic privileges, except for Senegalese staff.

3. Significant accounting policies

3.1 Basis of accounting

TrustAfrica prepares its financial statements using the accrual basis of accounting.

TrustAfrica maintains its accounting records in USD.

3.2 Functional currency

The functional currency is US Dollar.

3.3 Translation in foreign currencies and foreign exchange differences

Foreign currency transactions are recorded, on initial, in the functional currency, by applying to the foreign currency amount, the daily exchange rate between the functional currency and the foreign currency for the day of the transaction. The exchange rate is provided by Citibank. The exchange gains or losses are recorded in the income statement.

3.4 Taxation issues

TrustAfrica is a tax exempted organization as agreed between the organization and the local authorities in the "Accord de siege" signed on January 9, 2006. The organization benefits from:

- the exoneration of any kinds of taxes and duties on the imports of equipment and goods destined to the conduct of its activities;
- the exoneration of VAT on invoices established by suppliers of goods or services necessary for the achievement of its program and the exoneration of indirect taxes with the exception of domestic garbage taxes and fuel taxes;
- the exoneration of direct income taxes for TrustAfrica's Director and its foreign staff;

- the temporary transit status for all vehicles locally purchased or imported for the achievement of its objectives;
- the exoneration of all registrations and/or transfers duties on the acquisitions of fixed or non-fixed assets and on leases, etc.

3.5 Current assets and liabilities

Cash and cash equivalents are defined as that on hand and in accounts (accessible within 90 days). Assets that are cash or that are expected to be converted to cash within a twelve-month period are considered to be current. Likewise, liabilities that are expected to be liquidated within a twelve-month period are considered to be current.

3.6 Fixed assets

Fixed assets consist of vehicles, furniture and equipment of US\$ 100 or more. Such property and equipment is capitalized and depreciated. Depreciation is a method of allocating the cost of long-lived assets to the periods, which it benefits. All acquisitions of fixed assets under US\$ 100 are expensed.

Depreciation is computed using the straight-line method based on the estimated useful life of each asset. Useful lives of the assets are as follows:

| | |
|------------------------|---------|
| Computer software | 3 years |
| Computer hardware | 5 years |
| Vehicles | 5 years |
| Leasehold improvements | 5 years |
| Equipment | 7 years |

3.7 Revenue and cost recognition

The financial statements of TrustAfrica are prepared on the accrual basis of accounting. Under this basis, revenues are recognized when earned and expenses are recognized when the obligation is incurred.

4. Notes to the financial statements (in USD)

| | March 31, 2008 | March 31, 2007 |
|-------------------------------|----------------|----------------|
| 4.1 Cash and cash equivalents | 7,323,261 | 3,434,233 |

Cash in bank and on hand is detailed as follows:

| | | |
|-------------------------------|---------------------------|---------------------------|
| Citibank NY Checking | 201,133 | 316,768 |
| Citibank Money Market Account | 6,051,605 | 3,070,347 |
| Citibank MMA Pension | 51,679 | 11,657 |
| Citibank MMA Reserve | 938,459 | - |
| Ecobank CFA Account | 52,302 | (17,830) |
| Ecobank Dollar Account | 27,783 | 52,298 |
| Trust Africa petty cash | 300 | 993 |
| Total | <u>7,323,261</u> ===== | <u>3,434,233</u> ===== |

| | March 31, 2008 | March 31, 2007 |
|--------------------------------|----------------|----------------|
| 4.2 Prepaid expenses and other | 29,470 | 34,468 |

Prepaid expenses consist of the following:

| | | |
|------------------------|------------------------|------------------------|
| Prepaid insurance | 7,012 | 10,567 |
| Security deposit | 10,368 | 13,533 |
| Other prepaid expenses | 12,090 | 10,368 |
| Total | <u>29,470</u> ===== | <u>34,468</u> ===== |

| | March 31, 2008 | March 31, 2007 |
|-------------------------|----------------|----------------|
| 4.3 Fixed assets | 201,763 | 243,656 |

Fixed assets are detailed as follows:

| | March 31, 2007 | Addition | Diminution | March, 31 2008 |
|--------------------------|-------------------|----------------|-----------------|-------------------|
| Furniture & fixtures | 36,000 | 6,914 | - | 42,914 |
| Equipment | 154,462 | 9,497 | (34,092) | 129,867 |
| Software | 3,268 | 18,563 | - | 21,831 |
| Vehicles | 34,606 | - | - | 34,606 |
| Leasehold improvements | 19,327 | 590 | - | 19,917 |
| Collections-art | 17,184 | - | - | 17,184 |
| Total gross value | <u>264,847</u> | <u>(6,941)</u> | <u>(34,092)</u> | <u>266,319</u> |
| Depreciation | <u>(21,191)</u> | | | <u>(64,556)</u> |
| | <u>243,656</u> | | | <u>201,763</u> |
| | ===== | | | ===== |

The diminution of USD.34,091 is related to corrections made on the last year entries.

| | March 31, 2008 | March 31, 2007 |
|-----------------------------|----------------|----------------|
| 4.4 Accounts payable | 34,063 | 37,472 |

As of March 31, 2008, accounts payable are detailed as follows:

| Vendor | Balance as of March 31, 2008 |
|--|---------------------------------|
| Credit notes to receive from Planete Tours | (2,779) |
| Cabinet Racine | 16,949 |
| Tuner conference | 8,851 |
| Christopher Reardon - Consultant | 3,842 |
| Hawa Ba - Consultant | 3,451 |
| Senelec | 2,066 |
| Flexcom - Consultant | 1,683 |
| Total | <u>34,063</u> ===== |

| | March 31, 2008 | March 31, 2007 |
|----------------------|----------------|----------------|
| 4.5 Accrued expenses | 26,203 | 9,792 |

Accrued expenses are detailed as follows as of March 31, 2008:

| | | |
|-------------------------|------------------------|-----------------------|
| Accrued salaries | 350 | - |
| Accrued vacation | 22,129 | 9,792 |
| Federal Gov. Tax | 2,755 | - |
| Social Security & Med. | 29 | - |
| Social organism Senegal | 940 | - |
| Total | <u>26,203</u> ===== | <u>9,792</u> ===== |

| | March 31, 2008 | March 31, 2007 |
|--------------------|----------------|----------------|
| 4.6 Grants payable | 2,346,953 | 2,144,500 |

Grant payables represent grants to beneficiaries decided by the Foundation.

The grants are detailed as follows:

| Grantee | 31/03/07 Payable | New approval during the period | Payment during the period | 31/03/08 Payable |
|--|-----------------------------|---|--------------------------------------|-----------------------------|
| Centre for Conflict Resolution (Cape Town) | 200 000 | | 200 000 | - |
| Goree Institute (Dakar) | 200 000 | | 100 000 | 100 000 |
| Urgent Action Fund-Africa (Nairobi) | 200 000 | | 100 000 | 100 000 |
| Isis-WICCE (Kampala) | 365 800 | | 182 900 | 182 900 |
| Fahamu Network for Social Justice | 200 000 | 10 000 | 110 000 | 100 000 |
| Media Foundation for West-Africa | 200 000 | | 100 000 | 100 000 |
| Rencontre Africaine pour la Defense des Droits de l'Homme (Dakar) | 10 000 | 10 000 | 20 000 | - |
| Bay Area Black United Fund/Priority Africa Network | 10 000 | | 10 000 | - |
| International Center for Global Communications Foundation (Carol Pineau) | 10 000 | | 10 000 | - |
| Ganta Concern Women (Ganta, Liberia) | 10 000 | | 10 000 | - |
| International PEN | 10 000 | | 10 000 | - |
| Association for African Women for Research & Development (AAWORD) | 10 000 | | 10 000 | - |
| Southern Africa Trust | | 10 000 | 10 000 | - |
| St.Thomas University, Inc. | | 10 000 | 10 000 | - |
| Third World Network | | 50 000 | 25 000 | 25 000 |
| Institute for Democracy in South Africa | | 100 000 | 50 000 | 50 000 |
| Wits Foundation | | 50 000 | 25 000 | 25 000 |
| Africa Institute of South Africa | | 50 000 | 25 000 | 25 000 |
| Forum Civil | | 4 000 | 4 000 | - |
| Mouvement Citoyen | | 54 566 | 27 283 | 27 283 |
| PROCMURA | | 70 100 | 70 100 | - |
| CIPCRE | | 33 500 | | 33 500 |
| Chipua | | 28 180 | | 28 180 |
| DTDT | | 60 750 | | 60 750 |
| African Monitor | | 85 000 | - | 85 000 |
| IFAPA | | 75 300 | - | 75 300 |
| Traditional Religions + SAVAMA | | 100 000 | | 100 000 |
| IGD | | 100 000 | | 100 000 |
| G-FAC | | 75 000 | - | 75 000 |
| ISS | | 64 500 | - | 64 500 |
| OCPA | | 60 000 | - | 60 000 |
| Kachifo Limited | | 75 500 | - | 75 500 |
| IPI / EIFDDA | | 50 000 | - | 50 000 |
| WACSOFF | | 75 360 | - | 75 360 |
| NAG | | 10 000 | - | 10 000 |
| Ford Core & Ford Religion Foundation Grants | 1 425 800 | 1 311 756 | 1 109 283 | 1 628 273 |
| Universite Cadi Ayyad | 57 500 | | 27 500 | 30 000 |
| Lagos Business School | 66 000 | | 28 100 | 37 900 |
| Public Health & Development Center--University of Liberia | 50 000 | | 40 000 | 10 000 |
| Uganda Management Institute | 59 500 | | 45 350 | 14 150 |
| University of Cape Town | 50 000 | | 15 000 | 35 000 |
| CERAME, ESSEC | 40 000 | | 18 500 | 21 500 |
| United States International University | 50 000 | | 22 000 | 28 000 |
| Faculty of Economics--Eduardo Mondlane University | 27 000 | | 14 000 | 13 000 |
| Universite Polytechnique de Bobo-Dioulasso | 50 000 | | 20 000 | 30 000 |
| Center for Constitutional Rights and Development | 10 000 | (10 000) | | - |
| Makerere University | 19 200 | | 14 000 | 5 200 |
| University of Dar es Salaam | 19 500 | | 14 000 | 5 500 |
| Universite de Yaounde II | 20 000 | | 7 000 | 13 000 |
| Universite d'Abomey-Calvi | 10 000 | | 7 000 | 3 000 |
| Strathmore University | 10 000 | | 7 000 | 3 000 |
| Moi University/Kenya Institute of Public Policy Research and Analysis | 10 000 | | 7 000 | 3 000 |
| Kenyatta University | 30 000 | | 21 000 | 9 000 |
| Ahfad University for Women--School of Management | 10 000 | (10 000) | | - |
| Faculte des sciences juridiques, economiques et sociales Rabat | 10 000 | | 7 000 | 3 000 |
| Kwame Nkrumah University of Science and Technology | 10 000 | | 7 000 | 3 000 |
| Olabisi Onabanjo University--Department of Agro Economics | 10 000 | | 14 000 | 4 000 |
| Ghana Institute of Management and Public Administration | 10 000 | | 7 000 | 3 000 |
| University of Botswana | 45 000 | | 18 000 | 27 000 |
| Unity University College | 45 000 | | 13 000 | 32 000 |
| CESAG | | 100 000 | | 100 000 |
| University of Dar es Salaam | | 100 000 | | 100 000 |
| Universite Catholique d'Afrique Centrale | | 100 000 | | 100 000 |
| KNUST | | 45 430 | | 45 430 |
| Chambre de Mediation et d'Arbitrage Tangers | | 48 000 | | 48 000 |
| IDRC Project Grant | 718 700 | 373 430 | 373 450 | 718 680 |
| Total Grants | 2 144 500 | 1 685 186 | 1 482 733 | 2 346 953 |

IDRC (International Development Research Centre) Project Grant is a project which has set up a special fund to promote a better Investment Climate and Business Environment (ICBE) in Africa through research and advocacy.

4.7 Equity

Equity is detailed as follows:

| | March 31, 2007 | Variation | March 31, 2008 |
|------------------------|---------------------------|---------------------------|---------------------------|
| Opening balance equity | 5,970 | - | 5,970 |
| Retained Earnings | 338,149 | 1,179,667 | 1,517,816 |
| Net Income | 1,179,667 | 2,455,816 | 3,635,483 |
| Total equity | <u>1,523,786</u> ===== | <u>3,635,483</u> ===== | <u>5,159,269</u> ===== |

| | March 31, 2008 | March 31, 2007 |
|-----------------------------------|----------------|----------------|
| 4.8 Corporate & foundation grants | 6,550,091 | 3,981,776 |

Corporate and Foundation grants are detailed as follows:

| | | |
|------------------------|---------------------------|---------------------------|
| Ford Core grant | 6,190,000 | 3,000,000 |
| Ford Religion grant | - | 600,000 |
| IDRC grant | 210,118 | 257,776 |
| Oak Foundation | 50,000 | 25,000 |
| MacArthur Foundation | - | 74,000 |
| Packard Foundation | - | 25,000 |
| Open Society Institute | 99,973 | - |
| Total income | <u>6,550,091</u> ===== | <u>3,981,776</u> ===== |

| | March 31, 2008 | March 31, 2007 |
|-----------------------|----------------|----------------|
| 4.9 Investment income | 243,035 | 76,666 |

Investment income is detailed as follows:

| | | |
|---------------------|-------------------|-------------------|
| Bank interest | 233,978 | 76,478 |
| Exchange rate gains | 9,057 | 188 |
| | <u> </u> | <u> </u> |
| Total income | 243,035 | 76,666 |
| | ===== | ===== |

Bank interests are interests earned on the saving account hold in Citibank.

| | March 31, 2008 | March 31, 2007 |
|-------------|----------------|----------------|
| 4.10 Grants | 1,671,186 | 2,144,500 |

The grants recorded as expenses represent the grants approved by the Board of Trustee's during the period.

| | |
|--|-------------------|
| Grants approved during the period (see note 4.6) | 1,685,186 |
| Overpayment to Olabisi Onanbanjo University | (7,000) |
| Return of grant from Universite Yaounde II | (7,000) |
| | <u> </u> |
| | 1,671,186 |
| | ===== |

| | March 31, 2008 | March 31, 2007 |
|--------------------------------------|----------------|----------------|
| 4.11 Workshop & technical assistance | 328,336 | 133,758 |

Workshop and technical assistance expenses are detailed as follows:

| Amount in USD | |
|---------------------------------|----------------|
| Marrakech Workshop | 98 592 |
| Religion & Pluralism Workshop | 81 523 |
| ICBE Jury Meeting 2008 | 38 720 |
| President Chissano's visit | 19 536 |
| Board Meetings | 17 842 |
| AGI Meeting--June 2007 | 17 390 |
| Kwani Trust-Afric. Writers Fund | 10 000 |
| HIV-AIDS | 9 971 |
| Program Strategy Retreat Oct 07 | 9 805 |
| Migration Economic Dev. Africa | 9 683 |
| AGAG Meeting | 8 401 |
| Cost of Non Integration in Afr | 3 345 |
| Bishop Ndungane's visit | 1 858 |
| Africa Day Celebration | 1 670 |
| Total expenses | 328 336 |

March 31, 2008 March 31, 2007

4.12 Salaries & other expenses 500,852 146,720

The staff is about 11 persons as of March 2008. The increase of salaries expenses is explained by the following events:

- the salaries expenses for the year 2006/2007 were based on few months because the personnel were recruited beside September 2007,
- two persons were recruited during the year,
- the adjustment related to the taxes on salaries were done this year.

March 31, 2008 March 31, 2007

4.13 Consultants & professional fees 266,794 160,242

Consultants and professional fees are detailed as follows:

| Amount in USD | |
|-------------------------------|----------------|
| Program Technical Assistance | 165 796 |
| Accounting fees | 56 213 |
| Auditing fees | 16 949 |
| Computer consultants | 13 089 |
| Professional fundraising fees | 8 365 |
| Consultants | 4 287 |
| Temporary help - contract | 1 844 |
| Payroll processing fees | 251 |
| Total fees | 266 794 |