

**ARROW LEADERSHIP
INTERNATIONAL MINISTRIES**

Combined Financial Statements

June 30, 2005

Expressed in US dollars

ARROW LEADERSHIP INTERNATIONAL MINISTRIES

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June 30, 2005

Expressed in US dollars

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AUDITORS' REPORT

To the members of
Arrow Leadership International Ministries

We have audited the combined statement of financial position of Arrow Leadership International Ministries as at June 30, 2005 and the combined statements of changes in fund balances, operations and cash flows for the year then ended. These combined financial statements are the responsibility of the society's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation.

In common with many charitable organizations, the society derives revenue from voluntary contributions, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded by the society and we were not able to determine whether any adjustments might be necessary to donation revenue, excess (deficiency) of revenue over expenditures, assets and fund balances.

In our opinion, except for the effect of adjustments, if any, we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the contributions referred to in the preceding paragraph, these combined financial statements present fairly, in all material respects, the financial position of the society as at June 30, 2005 and the results of its changes in fund balances, operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Society Act of British Columbia, we report that, in our opinion, these combined financial statements have been prepared on a basis consistent with that of the preceding year with the exception of the change in accounting policy disclosed in Note 6.

Vancouver, B.C.
September 2, 2005

Loewen Kruse
Chartered Accountants

ARROW LEADERSHIP INTERNATIONAL MINISTRIES

Combined Statement of Financial Position

June 30, 2005

Expressed in US dollars

	General Fund	Capital Assets Fund	2005
ASSETS			
CURRENT			
Cash and cash equivalents	\$ 131,576	\$ -	\$ 131,576
Marketable securities	202,975	-	202,975
Tuition and other receivables	53,968	-	53,968
Prepaid expenses	8,052	-	8,052
	<u>396,571</u>	<u>-</u>	<u>396,571</u>
CAPITAL ASSETS (Note 4)	<u>-</u>	<u>24,218</u>	<u>24,218</u>
	<u>\$ 396,571</u>	<u>\$ 24,218</u>	<u>\$ 420,789</u>
LIABILITIES AND FUND BALANCES			
CURRENT			
Accounts payable and accrued liabilities	\$ 43,150	\$ -	\$ 43,150
FUND BALANCES – page 3			
Unrestricted	152,421	-	152,421
Invested in capital assets	-	24,218	24,218
Internally restricted	201,000	-	201,000
	<u>353,421</u>	<u>24,218</u>	<u>377,639</u>
	<u>\$ 396,571</u>	<u>\$ 24,218</u>	<u>\$ 420,789</u>

COMPARATIVE FIGURES (Note 9)

ON BEHALF OF THE BOARD

Director

Director

See notes to financial statements

ARROW LEADERSHIP INTERNATIONAL MINISTRIES
Combined Statement of Changes in Fund Balances
Year Ended June 30, 2005
Expressed in US dollars

	General Fund	Capital Assets Fund	Executive Arrow Fund	2005
BALANCE – Beginning of year	\$ 273,379	\$ 35,878	\$ 62,378	\$ 371,635
Retroactive adjustment per changes in accounting policy (<i>Note 6</i>)	(21,000)	-	-	(21,000)
BALANCE – Beginning of year as restated	252,379	35,878	62,378	350,635
Excess (deficiency) of revenue over expenditures for the year – page 4	(42,600)	(22,444)	75,342	10,298
Interfund transfer (<i>Note 7</i>)	145,117	-	(145,117)	-
Investment in capital assets	(8,834)	8,834	-	-
Foreign currency translation adjustment (<i>Note 3</i>)	7,359	1,950	7,397	16,706
BALANCE – End of year – page 2	\$ 353,421	\$ 24,218	\$ -	\$ 377,639

COMPARATIVE FIGURES (*Note 9*)

ARROW LEADERSHIP INTERNATIONAL MINISTRIES

Combined Statement of Operations

Year Ended June 30, 2005

Expressed in US dollars

	General Fund	Capital Assets Fund	Executive Arrow Fund	2005
REVENUE				
Contributions	\$ 345,340	\$ -	\$ 162,297	\$ 507,637
Registration fees	140,921	-	148,787	289,708
Investment earnings (loss)	138,424	-	-	138,424
Other	1,105	-	-	1,105
	<u>625,790</u>	<u>-</u>	<u>311,084</u>	<u>936,874</u>
EXPENDITURES				
Salaries, benefits and taxes	285,352	-	115,376	400,728
Training seminars and conferences	154,187	-	10,962	165,149
Travel	30,834	-	52,523	83,357
Consulting	44,925	-	111	45,036
Scholarships	4,052	-	38,862	42,914
Rentals and leases	21,091	-	1,551	22,642
Amortization	-	22,444	-	22,444
Telephone and utilities	18,409	-	1,807	20,216
Other	18,314	-	1,880	20,194
Equipment and computer service	12,301	-	5,872	18,173
Ministry with others	18,004	-	-	18,004
Advertising and promotion	13,682	-	2,601	16,283
Legal and accounting	15,777	-	401	16,178
Office supplies and postage	11,439	-	3,535	14,974
Exchange loss	9,715	-	-	9,715
Interest and bank charges	4,689	-	223	4,912
Bad debts	3,587	-	-	3,587
Insurance	1,021	-	38	1,059
Administration and Board costs	1,011	-	-	1,011
	<u>668,390</u>	<u>22,444</u>	<u>235,742</u>	<u>926,576</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR THE YEAR – page 3	\$ (42,600)	\$ (22,444)	\$ 75,342	\$ 10,298

COMPARATIVE FIGURES (Note 9)

See notes to financial statements

ARROW LEADERSHIP INTERNATIONAL MINISTRIES

Notes to Combined Financial Statements

Year Ended June 30, 2005

Expressed in US dollars

1. DESCRIPTION OF OPERATIONS

Arrow Leadership Ministries, Inc, formerly known as Leighton Ford Ministries, was organized as a charitable corporation in the state of North Carolina in 1986. On April 29, 2005, the US corporation changed its name to Arrow Leadership International Ministries.

In Canada, Arrow Leadership International Ministries was incorporated under the Society Act of British Columbia on November 9, 1998 and is also a registered charitable organization under the Income Tax Act and as such is exempt from income taxes.

Arrow Leadership International Ministries, in Canada and the US, sponsor programs such as the Arrow Leadership Program, the Executive Arrow Program and others, which provide Christian-based training to young leaders through a series of seminars and other activities.

2. BASIS OF PRESENTATION

These combined financial statements present the combined results of these organizations and are prepared in US dollars.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign Currency Translation

Accounts in Canadian currencies have been translated into US dollars using the current rate method. Under this method assets and liabilities have been translated at the year end exchange rate. Revenue and expenditure items are translated at the average exchange rate for the year. Foreign currency translation adjustments are reported as a component of the statement of changes in fund balances.

Fund Accounting

The organization follows the restricted fund method of accounting for contributions.

The General Fund accounts for the organization's program delivery and administrative activities. This fund reports unrestricted reserves.

The Executive Arrow Fund reports only the restricted resources that are to be used for the development and delivery of the Executive Arrow Leadership program.

The Capital Assets Fund reports the assets, liabilities, revenues and expenditures related to the organization's capital assets.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided at various rates designed to amortize the capital assets over their estimated useful lives. The amortization rates are as follows:

Office equipment	5 years
Office furniture	10 years
Computer equipment and software	3 years

ARROW LEADERSHIP INTERNATIONAL MINISTRIES

Notes to Combined Financial Statements

Year Ended June 30, 2005

Expressed in US dollars

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue Recognition

Unrestricted contributions are recognized in the General Fund in the year received or receivable if the amounts to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions are recognized as revenue in the Executive Arrow Fund.

Investment income is recognized as revenue of the General Fund when earned.

Seminar fees and tuition are recognized as revenue of the General Fund when the seminars are held.

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the evaluation of allowances for doubtful accounts, accrued liabilities and the determination of useful lives of capital assets for the purposes of calculating amortization.

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	2005 Net book value
Office furniture and equipment	\$ 46,453	\$ 30,991	\$ 15,462
Computer equipment and software	58,149	49,393	8,756
	<u>\$ 104,602</u>	<u>\$ 80,384</u>	<u>\$ 24,218</u>

5. COMMITMENTS

The organization has a lease expiring December 31, 2008 with respect to its premises. Future minimum lease payments are as follows:

2006	\$ 24,233
2007	24,233
2008	12,117

ARROW LEADERSHIP INTERNATIONAL MINISTRIES

Notes to Combined Financial Statements

Year Ended June 30, 2005

Expressed in US dollars

6. CHANGE IN ACCOUNTING POLICY

The opening figures have been restated to conform to Canadian generally accepted accounting principles with respect to the accrual of liabilities. Audit fees of \$21,000 have been accrued as payable for prior years but were not reflected on published financial statements. Accordingly beginning unrestricted net assets have been restated from \$273,379 to \$252,379.

7. INTERFUND TRANSFER

The Interfund transfer represents the transfer of the excess on the Executive Arrow Fund to the General Fund after all externally restricted contributions were satisfied.

8. FINANCIAL INSTRUMENTS

The organization's financial instruments consist of cash and cash equivalents, marketable securities, tuition and other receivables and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

9. COMPARATIVE FIGURES

Comparative figures have not been prepared, as they were prepared by non-Canadian accountants, and were not prepared in accordance with Canadian generally accepted accounting principles.

10. CASH FLOW STATEMENT

A cash flow statement has not been prepared as it would provide no additional useful information.
