

Operation Bootstrap Africa

Financial Statements Together with Independent Auditors' Report

August 31, 2017

OPERATION BOOTSTRAP AFRICA

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Operation Bootstrap Africa
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Operation Bootstrap Africa (a nonprofit organization), which comprise the statement of financial position as of August 31, 2017 and 2016, and the related statement of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Operation Bootstrap Africa as of August 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Roseville, Minnesota
January 5, 2018

Olsen Thielen & Co., Ltd.

OPERATION BOOTSTRAP AFRICA
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2017 AND 2016

ASSETS		
	<u>2017</u>	<u>2016</u>
CURRENT ASSETS:		
Cash	\$ 543,664	\$ 656,751
Certificates of Deposit	250,000	-
Pledges Receivable	23,000	-
Prepaid Expenses	2,732	2,707
Total Current Assets	<u>819,396</u>	<u>659,458</u>
OTHER ASSETS:		
Beneficial Interest in Funds Held by Others	79,002	48,332
Investments	3,830	24,090
Total Other Assets	<u>82,832</u>	<u>72,422</u>
PROPERTY AND EQUIPMENT:		
Furniture and Equipment	5,949	5,949
Less Accumulated Depreciation	5,857	5,673
Net Property and Equipment	<u>92</u>	<u>276</u>
TOTAL ASSETS	<u>\$ 902,320</u>	<u>\$ 732,156</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 2,292	\$ 1,048
Total Current Liabilities	<u>2,292</u>	<u>1,048</u>
NET ASSETS:		
Unrestricted:		
Undesignated	300,446	297,376
Board Designated Endowment Funds	79,002	48,332
Total Unrestricted	<u>379,448</u>	<u>345,708</u>
Temporarily Restricted	520,580	379,820
Permanently Restricted	-	5,580
Total Net Assets	<u>900,028</u>	<u>731,108</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 902,320</u>	<u>\$ 732,156</u>

The accompanying notes are an integral part of the financial statements.

OPERATION BOOTSTRAP AFRICA

STATEMENT OF ACTIVITIES YEAR ENDED AUGUST 31, 2017

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUES:				
Contributions	\$ 168,494	\$ 830,415	\$ -	\$ 998,909
Merchandise Sales	1,165	378		1,543
Interest Income	2,916	-	-	2,916
Unrealized Gain on Investments	2,893	-	-	2,893
Special Event	-	2,988	-	2,988
Net Assets Released				
From Restrictions	<u>698,601</u>	<u>(693,021)</u>	<u>(5,580)</u>	<u>-</u>
Total Support and Revenues	<u>874,069</u>	<u>140,760</u>	<u>(5,580)</u>	<u>1,009,249</u>
EXPENSES:				
Program Services	721,639	-	-	721,639
Management and General	77,307	-	-	77,307
Fundraising	41,383	-	-	41,383
Total Expenses	<u>840,329</u>	<u>-</u>	<u>-</u>	<u>840,329</u>
CHANGE IN NET ASSETS	33,740	140,760	(5,580)	168,920
NET ASSETS at Beginning of Year	<u>345,708</u>	<u>379,820</u>	<u>5,580</u>	<u>731,108</u>
NET ASSETS at End of Year	<u>\$ 379,448</u>	<u>\$ 520,580</u>	<u>\$ -</u>	<u>\$ 900,028</u>

The accompanying notes are an integral part of the financial statements.

OPERATION BOOTSTRAP AFRICA

STATEMENT OF ACTIVITIES YEAR ENDED AUGUST 31, 2016

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUES:				
Contributions	\$ 149,320	\$ 882,913	\$ –	\$ 1,032,233
Merchandise Sales	1,097	1,971	–	3,068
In-Kind Donations	13,530	–	–	13,530
Interest Income	2,165	–	–	2,165
Unrealized Gain on Investments	1,460	–	–	1,460
Special Event, Net of \$12,398 Expense	–	12,454	–	12,454
Net Assets Released				
From Restrictions	<u>800,788</u>	<u>(800,788)</u>	<u>–</u>	<u>–</u>
Total Support and Revenues	<u>968,360</u>	<u>96,550</u>	<u>–</u>	<u>1,064,910</u>
EXPENSES:				
Program Services	790,567	–	–	790,567
Management and General	52,891	–	–	52,891
Fundraising	46,700	–	–	46,700
Total Expenses	<u>890,158</u>	<u>–</u>	<u>–</u>	<u>890,158</u>
CHANGE IN NET ASSETS	78,202	96,550	–	174,752
NET ASSETS at Beginning of Year	<u>267,506</u>	<u>283,270</u>	<u>5,580</u>	<u>556,356</u>
NET ASSETS at End of Year	<u>\$ 345,708</u>	<u>\$ 379,820</u>	<u>\$ 5,580</u>	<u>\$ 731,108</u>

The accompanying notes are an integral part of the financial statements.

OPERATION BOOTSTRAP AFRICA
STATEMENT OF CASH FLOWS
YEARS ENDED AUGUST 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 168,920	\$ 174,752
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	184	184
Realized/Unrealized Gain on Investments	(2,893)	(1,460)
Changes in Assets and Liabilities:		
Pledges Receivable	(23,000)	-
Prepaid Expenses	(25)	1,301
Accounts Payable	1,244	590
Net Cash Flows From Operating Activities	<u>144,430</u>	<u>175,367</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(27,517)	(2,092)
Donated Stock	(3,830)	-
Proceeds from Sale of Investments	26,130	-
Purchase of Certificates of Deposit	(250,000)	-
Contributions to Investment Funds Held by Others	(2,300)	(1,300)
Net Cash Flows From Investing Activities	<u>(257,517)</u>	<u>(3,392)</u>
CHANGE IN CASH	(113,087)	171,975
CASH at Beginning of Year	<u>656,751</u>	<u>484,776</u>
CASH at End of Year	<u>\$ 543,664</u>	<u>\$ 656,751</u>

The accompanying notes are an integral part of the financial statements.

OPERATION BOOTSTRAP AFRICA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2017

	2017			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Program Grants	\$ 656,176	\$ -	\$ -	\$ 656,176
Salaries and Wages	35,890	36,486	21,534	93,910
Occupancy	7,758	7,887	4,655	20,300
Professional Services	-	11,485	-	11,485
Travel	11,398	-	-	11,398
Mail House Fees	-	-	9,423	9,423
Supplies	5,938	2,931	-	8,869
Payroll Taxes	2,746	2,791	1,647	7,184
Bank Charges	-	6,622	-	6,622
Equipment Rental and Maintenance	-	3,783	-	3,783
Postage and Freight	-	2,415	1,225	3,640
Food and Beverage	75	477	1,673	2,225
Communications	1,015	746	440	2,201
Insurance	266	271	307	844
Information Technology	227	441	137	805
Printing and Copying	28	495	-	523
Facility Rental	-	-	300	300
Miscellaneous	52	211	-	263
Depreciation	70	72	42	184
Website Development	-	169	-	169
Dues and Subscriptions	-	25	-	25
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 721,639</u>	<u>\$ 77,307</u>	<u>\$ 41,383</u>	<u>\$ 840,329</u>

The accompanying notes are an integral part of the financial statements.

OPERATION BOOTSTRAP AFRICA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2016

	2016			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Program Grants	\$ 709,798	\$ –	\$ –	\$ 709,798
Salaries and Wages	41,364	22,980	27,576	91,920
Supplies	18,531	396	879	19,806
Occupancy	8,505	4,725	5,670	18,900
Professional Services	11	11,753	7	11,771
Payroll Taxes	3,164	1,758	2,110	7,032
Mail House Fees	1,455	809	4,418	6,682
Bank Charges	–	5,913	–	5,913
Travel	2,227	1,237	1,787	5,251
Postage and Freight	1,592	844	1,863	4,299
Equipment Rental and Maintenance	1,004	558	669	2,231
Communications	890	494	593	1,977
Information Technology	970	217	260	1,447
Insurance	539	299	359	1,197
Conferences and Seminars	–	621	141	762
Printing and Copying	223	124	149	496
Marketing and Hospitality	123	68	106	297
Website Development	88	49	58	195
Depreciation	83	46	55	184
 Total Expenses	 <u>\$ 790,567</u>	 <u>\$ 52,891</u>	 <u>\$ 46,700</u>	 <u>\$ 890,158</u>

The accompanying notes are an integral part of the financial statements.

OPERATION BOOTSTRAP AFRICA

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Operation Bootstrap Africa (Organization) is incorporated as a Minnesota non-profit corporation to raise funds to assist self-help educational and select primary health care projects in the African countries of Kenya, Tanzania, and Madagascar.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues, expenses, gains and losses, and net assets are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization and related changes are classified and reported as follows:

Unrestricted Net Assets - Resources over which the Board of Directors has discretionary control. Designated amounts represent those net assets in which the Board of Directors has set aside for a particular purpose.

Temporarily Restricted - Reflects resources received with donor stipulations that limit the use of the donated assets. When a donor 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.

Permanently Restricted - Consist of resources subject to a donor imposed restriction that they be maintained permanently by the Organization. The donors of these resources permitted the Organization to use all or part of the income earned, including capital appreciation, on related investments for unrestricted or temporarily restricted purposes. There were no permanently restricted funds at August 31, 2017

Accounting Estimates

The presentation 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, the Organization has evaluated for recognition or disclosure the events or transactions that occurred through January 5, 2018, the date the financial statements were available to be issued.

Certificates of Deposit

Short-term interest bearing investments are those with maturities of less than one year but greater than three months when purchased. These investments are readily convertible to cash and are stated at cost which approximates fair value.

OPERATION BOOTSTRAP AFRICA

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable

Pledges receivable consists of unconditional promises to give and are recognized as revenue in the period made. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. The Organization monitors outstanding balances and periodically writes off balances that are determined to be uncollectible. The Organization has concluded that losses on balances outstanding at year end will be immaterial.

Investments

Investments in marketable securities are stated at fair value, which is determined by quoted market prices in active markets. Unrealized gains and losses are included in the statement of activities. Alternative investment fund of funds and private equity fund of funds, for which there is no public market, are valued at estimated fair value utilizing net asset values. Measurement is at net contributions to the fund plus allocated share of undistributed profit and losses, including realized and unrealized gains and losses based on the financial information provided by the investee funds' management, which may include audited financial statements of the investee funds. Because these alternative investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investment existed.

Property and Depreciation

Property and equipment are recorded at original cost. Additions, improvements or major renewals are capitalized. If items of property are sold, retired or otherwise disposed of, they are removed from the asset and accumulated depreciation accounts and any gains or losses thereon are reflected in operations. Donated property and equipment are carried at the approximate fair value at the date of donation.

Depreciation is computed using the straight-line method at rates based on the estimated service lives of the various assets as follows:

Furniture and Equipment	5 Years
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Program Grants

Unconditional grants are recorded as expense when approved by the Organization's Board of Directors. Grants that are subject to conditions are recorded when the conditions have been substantially met.

Contributions

The Organization records contributions when it has been determined that there is a legal right to the contribution and the amount is subject to reasonable estimation. Unconditional promises are recorded as revenue at the time the promise is made. Conditional promises are recorded when the condition has been satisfied.

OPERATION BOOTSTRAP AFRICA

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor 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.

In-Kind Donations

Donated materials are recorded as contributions, when received, at their fair market value when such value can be objectively and accurately determined. Donations of in-kind services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by the donation, are recorded at their fair value in the period provided. In 2017 and 2016, in-kind donations were \$0 and \$13,530, respectively.

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in these financial statements. The Organization had no tax expense in 2017 and 2016.

The Organization reviews income tax positions taken or expected to be taken in income tax returns to determine if there are any income tax uncertainties. This includes positions that the entity is exempt from income taxes or not subject to income taxes on unrelated business income. The Organization recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by taxing authorities, based on the technical merits of the positions. The Organization has identified no income tax uncertainties.

The Organization files information returns as a tax-exempt organization. Should that status be challenged in the future, all years since inception could be subject to review by the Internal Revenue Service.

The Organization's federal and state income tax returns are open to examination for tax years 2014 through 2016.

Fair Value Measurements

Under generally accepted accounting principles as outlined in the Financial Accounting Standards Board's *Accounting Standards Codification* (ASC) 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting standards establish a three-level fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability as follows:

Level 1 - Observable inputs such as quoted prices in active markets;

Level 2 - Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and,

Level 3 - Unobservable inputs where there is little or no market data, which requires the reporting entity to develop its own assumptions.

OPERATION BOOTSTRAP AFRICA

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The Organization uses observable market data, when available, in making fair value measurements. Fair value measurements are classified according to the lowest level input that is significant to the valuation.

The Organization holds certain assets that are required to be measured at fair value on a recurring basis. The fair values of the Organization's beneficial interest in funds held by others and long-term investments were determined based on inputs as presented in Note 2.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various program and support services. Expenses that can be identified with a specific program are allocated directly according to their natural expenditure classification. General and administrative expenses that are common to several functions are allocated based on the proportion of each program's direct and personnel expenses to the total program direct and personnel expenses.

Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and temporary cash investments. The Organization places its cash and temporary cash investments with high credit quality financial institutions and, by policy, generally limits the amount of credit exposure to any one financial institution. As of August 31, 2017, the Organization had a credit risk concentration as a result of depositing \$546,844 of funds in excess of insurance limits in a single bank.

NOTE 2 - INVESTMENTS

The following tables, as of August 31, 2017 and 2016, provide information by level for assets that are measured at fair value, on a recurring basis.

Description	Total	Quoted Prices for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
2017:				
InFaith Community Foundation Funds	\$ 79,002	\$ -	\$ 79,002	\$ -
Common Stock	<u>3,830</u>	<u>3,830</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 82,832</u>	<u>\$ 3,830</u>	<u>\$ 79,002</u>	<u>\$ -</u>

OPERATION BOOTSTRAP AFRICA

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - INVESTMENTS (Continued)

Description	Total	Quoted Prices for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
2016:				
Lutheran Community Foundation Fund	\$ 48,332	\$ -	\$ 48,332	\$ -
Mutual Funds:				
Diversified Income Fund	20,982	20,982	-	-
Investment Bond Fund	<u>3,108</u>	<u>3,108</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 72,422</u>	<u>\$ 24,090</u>	<u>\$ 48,332</u>	<u>\$ -</u>

The fair value of the Organization's Fidelity brokerage account is determined by reference to quoted market prices and other relevant information generated by market transactions. These investments are classified within Level 1 of the valuation hierarchy.

Fair value measurements of investments which utilize inputs classified as Level 2 consists of investments held by others in equity and fixed income securities. The investments held by the InFaith Community Foundation are based on quoted market prices for the underlying securities which comprise the net asset value of the investment or the capital balance reported by the InFaith Community Foundation. The investments used to be held by the Lutheran Community Foundation. The investment composition of the InFaith Community Foundation funds remains diverse, but follows an asset allocation plan elected by the Organization and described in Note 5.

Gross proceeds from sales of investments were \$26,130 and \$0 in 2017 and 2016. Realized gains and losses on the sales of investments were not material to the financial statements.

NOTE 3 - BENEFICIAL INTEREST IN FUNDS HELD BY OTHERS

The Organization is the beneficiary of designated funds at the InFaith Community Foundation (ICF) which was funded by a transfer of the Organization's assets. According to the terms of the agreements establishing these funds, ICF makes distributions to the Organization in accordance with ICF's spending policy. ICF has the right to distribute the investment income to another not-for-profit organization of ICF's choice if the Organization ceases to exist or if the governing board of ICF votes that support of the Organization is no longer necessary or is inconsistent with the needs of the community. The values of these funds were recorded at fair value in the statement of financial position and at August 31, 2017 and 2016 were \$79,002 and \$48,332.

OPERATION BOOTSTRAP AFRICA

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - NET ASSETS

Temporarily restricted net assets at August 31, 2017 and 2016 are available for the following purposes:

	<u>2017</u>	<u>2016</u>
ALMC School of Nursing Scholarship Fund	\$ 173,783	\$ 157,573
MaaSae Girls Lutheran Secondary School Scholarship Fund	116,179	75,992
MGLSS Special Projects	57,730	71,203
Post-Secondary Scholarship Fund	54,346	31,301
ALMC School of Nursing - Construction	41,728	-
Jifunze	34,567	-
Olarash Primary School	15,190	10,979
Eric Hanson Scholarship Fund	11,752	11,731
Bassodawish Primary School	9,274	9,456
Gracious School	2,784	2,784
Other East African Schools	2,030	2,299
Ketumbeine PS	1,217	2,450
Ilboro Secondary School	-	553
Madagascar Lutheran Church	-	3,499
Total	<u>\$ 520,580</u>	<u>\$ 379,820</u>

Temporarily restricted net assets of \$693,021 and \$800,788 were released from restrictions in 2017 and 2016 due to satisfaction of program restrictions.

NOTE 5 - ENDOWMENT FUNDS

The Organization's Board of Directors designated unrestricted net assets as the Operation Bootstrap Africa Nellermoe Endowment Fund and the OBA Endowment Fund. The purpose of the Nellermoe Endowment Fund is to provide support for post-secondary scholarship funding for graduates of the MaaSae Girls Lutheran Secondary School (MGLSS) in Monduli, Tanzania. The purpose of the OBA Endowment Fund is to hold donor contributions that wish to provide perpetual support to the Organization. Net assets associated with these endowment funds are reported based on the existence or absence of donor-imposed restrictions

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (the Act) 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 Organization 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 board designated unrestricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Act.

OPERATION BOOTSTRAP AFRICA

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - ENDOWMENT FUNDS (Continued)

In accordance with the Act, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purpose of the Organization and the endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Organization.
- (7) The investment policies of the Organization.

The Organization has placed the funds in investment portfolios held by the InFaith Community Foundation (the Foundation) with an investment policy and philosophy that concentrates on providing long-term support, balanced with a need for short-term grant distributions within a five-year time horizon. This is accomplished through a strategic plan that strives to maintain and grow the investment corpus and provide annual earnings to support the endowment purposes. Under this policy, the endowment assets are invested in a manner that is intended to produce results that preserve the inflation-adjusted value of the fund and maximize total return within reasonable and prudent levels of risk. The Organization targets a diversified asset allocation plan, sets performance benchmarks and has established various asset quality and limitation thresholds.

The Board of Directors periodically reviews and recommends in writing to the Foundation the amount to be distributed from endowment assets. Under the fund agreements with the Foundation and the Foundation's current distribution policy, the Organization may request distributions from the Fund in any amount, so long as the distribution requests are submitted in writing no more often than once each calendar quarter and so long as making the requested distribution would not reduce the value of the funds to less than \$25,000.

The Organization also has other temporarily restricted funds that are not considered endowment funds.

The following table shows the endowment-related activities for the years ending August 31, 2017 and 2016:

	Board Designated Endowment Funds
Endowment Net Assets, August 31, 2015	\$ 44,912
Contributions	1,300
Interest and Dividend Income	1,429
Unrealized Investment Gain	1,143
Investment Management Fees	<u>(452)</u>
Endowment Net Assets, August 31, 2016	48,332
Contributions	27,300
Interest and Dividend Income	960
Unrealized Investment Gain	2,893
Investment Management Fees	<u>(483)</u>
Endowment Net Assets, August 31, 2017	<u>\$ 79,002</u>

OPERATION BOOTSTRAP AFRICA

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LEASE COMMITMENTS

The Organization rents its office space under a lease agreement which expires December 31, 2019.

The Organization also rents certain equipment under terms that expire on various dates in 2019.

The Organization's rent expense and its share of the future minimum rental commitments under these operating leases are as follows:

	<u>Office Space</u>	<u>Equipment</u>	<u>Total</u>
Expense:			
2017	\$ 19,125	\$ 4,306	\$ 23,431
2016	18,900	2,726	21,626
Commitments:			
2018	\$ 19,200	\$ 3,849	\$ 23,049
2019	19,200	2,321	21,521
2020	<u>6,400</u>	<u>—</u>	<u>6,400</u>
Total Commitments	<u>\$ 44,800</u>	<u>\$ 6,170</u>	<u>\$ 50,970</u>