

Operation Bootstrap Africa

Financial Statements Together with Independent Auditors' Report

August 31, 2021

OPERATION BOOTSTRAP AFRICA

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Operation Bootstrap Africa
Crystal, 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, 2021 and 2020, and the related statement of activities, cash flows and functional expenses 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, 2021 and 2020, 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
February 22, 2022

Olsen Thielen & Co., Ltd.

OPERATION BOOTSTRAP AFRICA
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2021 AND 2020

ASSETS		
	2021	2020
CURRENT ASSETS:		
Cash	\$ 587,236	\$ 632,327
Certificates of Deposit	—	50,243
Prepaid Expenses	1,607	3,588
Total Current Assets	588,843	686,158
OTHER ASSETS:		
Beneficial Interest in Funds Held by Others	428,201	352,640
Certificates of Deposit	—	50,533
Investment Securities	755,213	159,663
Total Other Assets	1,183,414	562,836
PROPERTY AND EQUIPMENT:		
Furniture and Equipment	5,949	5,949
Less Accumulated Depreciation	5,949	5,949
Net Property and Equipment	—	—
TOTAL ASSETS	\$ 1,772,257	\$ 1,248,994
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 5,843	\$ 7,407
Accrued Expenses	6,627	6,316
Total Current Liabilities	12,470	13,723
NET ASSETS:		
Net Assets without Donor Restrictions	615,797	613,496
Net Assets with Donor Restrictions	1,143,990	621,775
Total Net Assets	1,759,787	1,235,271
TOTAL LIABILITIES AND NET ASSETS	\$ 1,772,257	\$ 1,248,994

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

OPERATION BOOTSTRAP AFRICA

STATEMENT OF ACTIVITIES YEAR ENDED AUGUST 31, 2021

	2021			
	Without Donor Restrictions	With Donor Restrictions		Total
		Term	Perpetual	
SUPPORT AND REVENUES:				
Contributions	\$ 84,341	\$ 1,426,515	\$ -	\$ 1,510,856
Investment Income	216,195	-	-	216,195
Net Assets Released				
From Restrictions	<u>904,300</u>	<u>(904,300)</u>	<u>-</u>	<u>-</u>
Total Support and Revenues	<u>1,204,836</u>	<u>522,215</u>	<u>-</u>	<u>1,727,051</u>
EXPENSES:				
Program Services	1,027,216	-	-	1,027,216
Management and General	89,602	-	-	89,602
Fundraising	85,717	-	-	85,717
Total Expenses	<u>1,202,535</u>	<u>-</u>	<u>-</u>	<u>1,202,535</u>
CHANGE IN NET ASSETS	2,301	522,215	-	524,516
NET ASSETS at Beginning of Year	<u>613,496</u>	<u>621,775</u>	<u>-</u>	<u>1,235,271</u>
NET ASSETS at End of Year	<u>\$ 615,797</u>	<u>\$ 1,143,990</u>	<u>\$ -</u>	<u>\$ 1,759,787</u>

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

OPERATION BOOTSTRAP AFRICA

STATEMENT OF ACTIVITIES YEAR ENDED AUGUST 31, 2020

	2020			
	Without Donor Restrictions	With Donor Restrictions		Total
		Term	Perpetual	
SUPPORT AND REVENUES:				
Contributions	\$ 111,917	\$ 943,552	\$ –	\$ 1,055,469
Program Service Revenue	45,380	–	–	45,380
Investment Income	51,659	–	–	51,659
Net Assets Released				
From Restrictions	<u>1,073,703</u>	<u>(1,073,703)</u>	<u>–</u>	<u>–</u>
Total Support and Revenues	<u>1,282,659</u>	<u>(130,151)</u>	<u>–</u>	<u>1,152,508</u>
EXPENSES:				
Program Services	1,103,886	–	–	1,103,886
Management and General	79,671	–	–	79,671
Fundraising	111,104	–	–	111,104
Total Expenses	<u>1,294,661</u>	<u>–</u>	<u>–</u>	<u>1,294,661</u>
CHANGE IN NET ASSETS	(12,002)	(130,151)	–	(142,153)
NET ASSETS at Beginning of Year	<u>625,498</u>	<u>751,926</u>	<u>–</u>	<u>1,377,424</u>
NET ASSETS at End of Year	<u>\$ 613,496</u>	<u>\$ 621,775</u>	<u>\$ –</u>	<u>\$ 1,235,271</u>

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

OPERATION BOOTSTRAP AFRICA
STATEMENT OF CASH FLOWS
YEARS ENDED AUGUST 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 524,516	\$ (142,153)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
Contributed Investments	(465,595)	-
Realized and Unrealized Gains on Investments	(192,081)	(33,884)
Changes in Assets and Liabilities:		
Prepaid Expenses	1,981	27
Accounts Payable	(1,564)	(3,949)
Accrued Expenses	311	471
Net Cash Flows From Operating Activities	(132,432)	(179,488)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Investment Securities	(606,622)	(134,395)
Proceeds from Sales of Investment Securities	593,187	35,710
Purchases of Certificates of Deposit	-	(100,000)
Maturities of Certificates of Deposit	100,776	550,000
Net Cash Flows From Investing Activities	87,341	351,315
CHANGE IN CASH	(45,091)	171,827
CASH at Beginning of Year	632,327	460,500
CASH at End of Year	\$ 587,236	\$ 632,327

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

OPERATION BOOTSTRAP AFRICA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2021

	2021			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 902,956	\$ -	\$ -	\$ 902,956
Salaries and Wages	80,906	31,784	22,463	135,153
Donor Acquisition	-	-	35,582	35,582
Office Rent	9,298	5,072	2,536	16,906
Marketing/Hospitality	1,112	497	15,189	16,798
Audit and Accounting Fees	-	14,357	-	14,357
Payroll Taxes	6,286	2,469	1,745	10,500
Bank/Credit Card Fees	-	10,083	-	10,083
Travel and Mileage	5,936	1,613	2,065	9,614
Employee Benefits	4,876	1,915	1,354	8,145
Legal/Payroll/Professional Fees	-	6,758	-	6,758
Program Supplies	5,331	-	-	5,331
Equipment Rent/Repair	174	4,845	47	5,066
Office Supplies	2,588	1,468	706	4,762
Dues/Subscriptions/Memberships	1,537	1,736	637	3,910
InFaith Comm Found Admin Fees	-	3,624	-	3,624
Postage and Shipping	1,687	684	507	2,878
Insurance Expense	1,571	857	429	2,857
Miscellaneous Expense	1,297	717	654	2,668
Communications Expense	1,050	557	278	1,885
Meetings and Conferences	161	375	1,154	1,690
Workers Comp Insurance	358	141	99	598
Staff Development	-	-	129	129
Printing & Copying	-	-	118	118
Information Technology	59	32	16	107
Website Costs	33	18	9	60
	<u>33</u>	<u>18</u>	<u>9</u>	<u>60</u>
Total Expenses	<u>\$ 1,027,216</u>	<u>\$ 89,602</u>	<u>\$ 85,717</u>	<u>\$ 1,202,535</u>

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

OPERATION BOOTSTRAP AFRICA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2020

	2020			
	Program Services	Management and General	Fundraising	Total
Grants	\$ 938,137	\$ —	\$ —	\$ 938,137
Salaries/Wages	62,950	32,172	40,103	135,225
Program Service Expenses	45,849	—	—	45,849
Marketing/Hospitality	1,204	802	21,407	23,413
Office Rent	8,448	5,633	4,694	18,775
Donor Acquisition	—	—	16,625	16,625
Program Supplies	16,188	—	—	16,188
Contracted Services	—	—	14,000	14,000
Travel/Mileage	9,655	822	1,107	11,584
Payroll Taxes	4,889	2,498	3,114	10,501
Audit Fees	—	7,500	—	7,500
Bank Fees	—	7,297	—	7,297
Postage and Shipping	2,977	1,709	1,424	6,110
Employee Health Benefits	2,277	1,164	1,451	4,892
Accounting Fees	—	4,868	—	4,868
Miscellaneous Expense	1,922	1,475	1,068	4,465
Employee Simple IRA	1,919	981	1,222	4,122
Office Supplies	1,723	1,148	957	3,828
Information Technology	551	2,757	306	3,614
InFaith Comm Found Admin Fees	—	3,255	—	3,255
Equipment Rent/Repair	1,085	724	603	2,412
Communications Expense	1,010	673	561	2,244
Dues/Subscriptions/Memberships	671	447	1,093	2,211
Insurance Expense	975	650	542	2,167
Employee Parking	500	333	278	1,111
Food & Beverage	401	249	221	871
Professional/Payroll Fees	—	686	—	686
Conference/Meetings/Convention	295	197	164	656
Board/Meeting Expense	—	642	—	642
Workers Comp Insurance	232	119	148	499
Credit Card Fees	—	391	—	391
Printing & Copying	—	371	—	371
Staff Development	—	89	—	89
Website Costs	28	19	16	63
Total Expenses	<u>\$ 1,103,886</u>	<u>\$ 79,671</u>	<u>\$ 111,104</u>	<u>\$ 1,294,661</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 (the 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 using the accrual basis of accounting in accordance with generally accepted accounting principles. 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:

Net Assets without Donor Restrictions - Net assets without donor restrictions are resources available to support operations which the Board of Directors has discretionary control. Designated amounts represent those net assets which the Board has set aside for a particular purpose.

Net Assets with Donor Restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.

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 February 22, 2022, 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)

Investments

Investments in marketable securities are stated at fair value, which is determined by quoted market prices in active markets. Realized and unrealized gains and losses are included in the statement of activities. Realized gains and losses are determined using the specific identification method. Interest and dividend income are reported as income when earned.

Included in investments on the statement of financial position are money market funds. The certificates of deposit and money market funds are readily convertible to cash and are stated at cost plus accrued interest, which approximates fair value.

Alternative investment fund of funds and private equity fund of funds, for which there is no public market, are valued 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.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investment will occur in the near future and that such changes could materially affect the investment balances.

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.

OPERATION BOOTSTRAP AFRICA

NOTES TO FINANCIAL STATEMENTS

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

Revenue Recognition

Contribution and Grant Revenue

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Conditional promises to give are not recognized until they become unconditional. 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 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-imposed contributions are reported as net assets with donor restrictions, even if it is anticipated such restrictions will be met in the current reporting period.

Net assets restricted for acquisition of buildings or equipment are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization when the restrictions are released.

Contributed materials are recorded as contributions, when received, at their fair market value when such value can be objectively and accurately determined.

In 2020, the Organization implemented the provisions of Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The intent of the new standards is to improve the usefulness and understandability of the Organization's financial reporting.

ASU 2018-08 clarifies and improves existing guidance related to contributions received and contributions made. The presentation and disclosures of revenue have been enhanced in accordance with the standard. Analysis of various provisions of this ASU resulted in no significant changes in the way the Foundation recognizes revenue, and therefore no changes to the 2019 financial statements were required on a retrospective basis.

Government Grants and Contract Revenue

Government grants and contract revenue are recognized when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Deferred revenue consists of contract revenue received but not yet expended. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made. Management believes that any disallowances, if any, would not have a significant effect on the statement of financial position.

Service Trips

The Organization hosts service trips where revenues are recognized when earned. Revenues consist of donors paying for corresponding trip expenditures that the Organization has incurred in total. There is no mark-up of pricing and revenues received cover the expenses paid.

OPERATION BOOTSTRAP AFRICA

NOTES TO FINANCIAL STATEMENTS

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

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. No in-kind donations were recorded in August 31, 2021 and 2020.

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 2021 and 2020.

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.

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.

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.

OPERATION BOOTSTRAP AFRICA

NOTES TO FINANCIAL STATEMENTS

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

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, 2021, the Organization had no significant concentrations of credit risk.

Reclassifications

Certain amounts in the 2020 financial statements and notes have been reclassified to conform with the 2021 presentation. These reclassifications had no effect on net assets for either period.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization maintains and manages adequate operating reserves per policies set by the board of directors. The Finance Committee reviews and recommends reserve policies to the board of directors for approval.

The Organization has established a goal for maintaining an operating reserve of 90 days of budgeted operating expenses, less noncash items such as depreciation. The reserve consists of cash and cash equivalents and assets with donor restrictions that will likely be released within 90 days.

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 90 days of normal operating expenses not including include any grant related expenses, which are, on average, approximately \$71,000. The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management the Organization invests cash in excess of daily requirements in various short-term investments, including certificates of deposit.

The Organization's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure.

OPERATION BOOTSTRAP AFRICA

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of August 31, 2021 and 2020 are as follows:

	2021	2020
Financial Assets:		
Cash and Certificates of Deposit	\$ 587,236	\$ 733,103
Endowment and Long-Term Investments	1,183,414	512,303
Total Financial Assets	1,770,650	1,245,406
Less Financial Assets Held to Meet Donor Restrictions:		
Purpose Restricted-Net Assets	1,143,990	621,775
Total Financial Assets Available for General Expenditure Within One Year	\$ 626,660	\$ 623,631

NOTE 3 - INVESTMENTS

The Organization's investment securities are measured at fair value using Level 1 inputs and consisted of the following at August 31, 2021 and 2020:

	2021		2020	
	Cost	Market	Cost	Market
Money Market	\$ 11,416	\$ 11,416	\$ 2	\$ 2
Mutual Funds	566,555	652,077	133,544	138,286
Close End Funds	71,216	91,720	20,204	21,375
Total	\$ 649,187	\$ 755,213	\$ 153,750	\$ 159,663

The fair value of the Organization's investment securities are 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.

Investment income was the following at August 31, 2021 and 2020:

	2021	2020
Interest and Dividends	\$ 24,114	\$ 20,558
Unrealized Gains (Losses)	(43,003)	31,063
Realized Gains	235,084	38
Total Investment Income	\$ 216,195	\$ 51,659

NOTE 4 - 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, 2021 and 2020 were \$428,201 and \$352,640. These funds are measured at fair value using Level 3 inputs.

OPERATION BOOTSTRAP AFRICA
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - BENEFICIAL INTEREST IN FUNDS HELD BY OTHERS (Continued)

The following table provides a summary of changes in fair value of the Organization's Level 3 financial assets for the years ended August 31:

Balance as of August 31, 2019	\$ 322,569
Contributions to Funds Held by Others	3,650
Net Change in Market Value	26,421
Balance as of August 31, 2020	352,640
Contributions to Funds Held by Others	1,500
Net Change in Market Value	74,061
Balance as of August 31, 2021	\$ 428,201

Assets held by InFaith Community Foundation include values reflected for publicly traded assets and values for non-publicly traded assets that may be based on estimates provided by external valuation service provided. A substantial portion of the underlying assets are measured at fair value using Level 1 inputs.

NOTE 5 - NET ASSETS

Net assets with donor restrictions consist of the following at August 31, 2021 and 2020:

	2021	2020
Arusha Lutheran Medical Centre	\$ 405,306	\$ 4,439
ALMC School of Nursing Scholarship Fund	324,550	252,150
Secondary and Post-Secondary Scholarship Fund	86,759	106,969
MGLSS Special Projects	58,332	74,274
Madagascar Luth	47,548	-
Eric Hanson Scholarship Fund	39,266	38,815
Madagascar Lunch	37,853	-
Disaster Relief	31,483	27,740
Simonson	29,232	29,232
Olarash Primary School	21,243	17,623
Lake Area Annu	15,738	15,738
MSS Special Project	13,055	11,590
Jifunze	12,899	22,199
Plaster House	8,049	5,664
Nursing Special Project	4,968	5,748
Gracious School	2,955	2,955
Ilboro	1,872	1,287
Bassodawish Primary School	1,861	4,160
Ketumbeine PS	806	977
Tours	110	110
Makanta	105	105
Total	\$ 1,143,990	\$ 621,775

Net assets with donor restrictions released from restriction were \$904,300 and \$1,073,703 in August 31, 2021 and 2020. Net assets with donor restrictions were released from restriction due to satisfaction of program restrictions.

OPERATION BOOTSTRAP AFRICA

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - ENDOWMENT FUNDS

The Organization's Board of Directors designated net assets without donor restrictions 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 Luther 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. As required by generally accepted accounting principles, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions

The Board of Directors of the Organization has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the prudent expenditure of donor-restricted endowment funds. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the Organization. In making a determination to appropriate, an organization shall act in good faith with the care that a prudent person would exercise. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (perpetual endowments) (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual 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 as perpetual endowments is classified as term endowments until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Organization considers an endowment fund to be underwater if the fair value of the fund is less than the sum of (1) the original value of initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. There are no funds currently underwater.

In accordance with UPMIFA, 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 donor-restricted 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.

OPERATION BOOTSTRAP AFRICA

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - ENDOWMENT FUNDS (Continued)

The Organization has placed funds in the 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 Organization's mission. Under this policy, as approved by the Board of Directors, 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.

UPMIFA permits the prudent expenditure of donor restricted endowment funds. 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 following table shows the endowment-related activities for the years ending August 31, 2021 and 2020:

	Board Designated Endowment Funds
Endowment Net Assets, August 31, 2019	\$ 322,569
Contributions	3,650
Interest and Dividend Income	6,176
Investment Gains	23,495
Investment Management Fees	<u>(3,250)</u>
Endowment Net Assets, August 31, 2020	352,640
Contributions	1,500
Interest and Dividend Income	9,369
Investment Gains	68,316
Investment Management Fees	<u>(3,624)</u>
Endowment Net Assets, August 31, 2021	<u>\$ 428,201</u>

OPERATION BOOTSTRAP AFRICA

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - RETIREMENT PLAN

The Organization has a Simple IRA plan. Eligible employees may contribute up to 8% of their salaries. The Organization provides a matching contribution up to 3% of the qualified employee salaries. Organization expense for the Plan was \$4,006 in 2021 and \$4,122 in 2020.

NOTE 8 - LEASE COMMITMENTS

The Organization leases its office space under an agreement which expires December 31, 2024.

The Organization also leases certain equipment under terms that expire on various dates in 2024 and 2025.

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

	<u>Office Space</u>	<u>Equipment</u>	<u>Total</u>
Expense:			
2021	\$ 16,905	\$ 5,066	\$ 21,971
2020	18,775	2,412	21,187
Commitments:			
2022	\$ 17,335	\$ 2,832	\$ 20,167
2023	17,855	2,393	20,248
2024	18,390	1,568	19,958
2025	<u>6,190</u>	<u>—</u>	<u>6,190</u>
Total Commitments	<u>\$ 59,770</u>	<u>\$ 6,793</u>	<u>\$ 66,563</u>