

Operation Bootstrap Africa

Financial Statements Together with Independent Auditors' Report

August 31, 2022

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, 2022 and 2021, and the related statement of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Operation Bootstrap Africa and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Operation Bootstrap Africa's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Operation Bootstrap Africa's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Operation Bootstrap Africa's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Roseville, Minnesota
March 23, 2023

A handwritten signature in black ink that reads "Olsen Thielus + Co, Ltd." The signature is written in a cursive, flowing style.

OPERATION BOOTSTRAP AFRICA
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2022 AND 2021

ASSETS		
	2022	2021
CURRENT ASSETS:		
Cash	\$ 122,249	\$ 587,236
Prepaid Expenses	28,906	1,607
Total Current Assets	151,155	588,843
OTHER ASSETS:		
Beneficial Interest in Funds Held by Others	-	428,201
Investment Securities	1,654,988	755,213
Total Other Assets	1,654,988	1,183,414
PROPERTY AND EQUIPMENT:		
Furniture and Equipment	5,949	5,949
Less Accumulated Depreciation	5,949	5,949
Net Property and Equipment	-	-
TOTAL ASSETS	\$ 1,806,143	\$ 1,772,257
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 29,630	\$ 5,843
Accrued Expenses	7,402	6,627
Total Current Liabilities	37,032	12,470
NET ASSETS:		
Net Assets without Donor Restrictions	539,078	615,797
Net Assets with Donor Restrictions	1,230,033	1,143,990
Total Net Assets	1,769,111	1,759,787
TOTAL LIABILITIES AND NET ASSETS	\$ 1,806,143	\$ 1,772,257

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

OPERATION BOOTSTRAP AFRICA

STATEMENT OF ACTIVITIES YEAR ENDED AUGUST 31, 2022

	2022			
	Without Donor Restrictions	With Donor Restrictions		Total
		Term	Perpetual	
SUPPORT AND REVENUES:				
Contributions	\$ 505,878	\$ 993,093	\$ 141,000	\$ 1,639,971
Program Service Revenue	6,950	-	-	6,950
Investment Losses	(170,103)	(73,987)	-	(244,090)
Net Assets Released				
From Restrictions	974,063	(1,424,063)	450,000	-
Total Support and Revenues	1,316,788	(504,957)	591,000	1,402,831
EXPENSES:				
Program Services	1,178,806	-	-	1,178,806
Management and General	106,560	-	-	106,560
Fundraising	108,141	-	-	108,141
Total Expenses	1,393,507	-	-	1,393,507
CHANGE IN NET ASSETS	(76,719)	(504,957)	591,000	9,324
NET ASSETS at Beginning of Year	615,797	1,143,990	-	1,759,787
NET ASSETS at End of Year	\$ 539,078	\$ 639,033	\$ 591,000	\$ 1,769,111

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

OPERATION BOOTSTRAP AFRICA

STATEMENT OF ACTIVITIES YEAR ENDED AUGUST 31, 2021

	2021			Total
	Without Donor Restrictions	With Donor Restrictions		
		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	904,300	(904,300)	–	–
Total Support and Revenues	1,204,836	522,215	–	1,727,051
EXPENSES:				
Program Services	1,027,216	–	–	1,027,216
Management and General	89,602	–	–	89,602
Fundraising	85,717	–	–	85,717
Total Expenses	1,202,535	–	–	1,202,535
CHANGE IN NET ASSETS	2,301	522,215	–	524,516
NET ASSETS at Beginning of Year	613,496	621,775	–	1,235,271
NET ASSETS at End of Year	\$ 615,797	\$ 1,143,990	\$ –	\$ 1,759,787

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

OPERATION BOOTSTRAP AFRICA
STATEMENT OF CASH FLOWS
YEARS ENDED AUGUST 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 9,324	\$ 524,516
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
Contributed Investments	(49,178)	(465,595)
Realized and Unrealized Investment (Gains) Losses	308,985	(192,081)
Changes in Assets and Liabilities:		
Prepaid Expenses	(27,299)	1,981
Accounts Payable	23,787	(1,564)
Accrued Expenses	775	311
Net Cash Flows From Operating Activities	266,394	(132,432)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Investment Securities	(1,303,507)	(606,622)
Proceeds from Sales of Investment Securities	174,014	593,187
Maturities of Certificates of Deposit	-	100,776
Redemption of Investment Funds Held by Others	398,112	-
Net Cash Flows From Investing Activities	(731,381)	87,341
CHANGE IN CASH	(464,987)	(45,091)
CASH at Beginning of Year	587,236	632,327
CASH at End of Year	\$ 122,249	\$ 587,236

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

OPERATION BOOTSTRAP AFRICA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2022

	2022			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 1,006,894	\$ -	\$ -	\$ 1,006,894
Salaries and Wages	93,708	32,462	25,709	151,879
Donor Acquisition	-	-	30,099	30,099
Program Supplies	22,274	-	-	22,274
Marketing/Hospitality	2,696	765	17,528	20,989
Office Rent	9,244	5,634	2,456	17,334
Contracted Services	168	-	16,000	16,168
Legal/Payroll/Professional Fees	-	16,051	-	16,051
Audit and Accounting Fees	-	15,928	-	15,928
Travel and Mileage	6,954	4,070	4,815	15,839
Program Supplies Expense	13,344	-	-	13,344
Payroll Taxes	7,278	2,521	1,997	11,796
Bank/Credit Card Fees	-	11,045	-	11,045
Employee Benefits	5,616	1,945	1,541	9,102
Postage and Shipping	1,365	831	4,040	6,236
Office Supplies	2,521	1,529	672	4,722
Miscellaneous Expense	51	4,530	27	4,608
Dues/Subscriptions/Memberships	1,461	1,754	457	3,672
Invest Admin Fees	-	3,082	-	3,082
Insurance Expense	1,502	915	399	2,816
Website Costs	986	699	342	2,027
Communications Expense	1,076	598	260	1,934
Meetings and Conferences	263	141	1,082	1,486
Information Technology	-	1,303	-	1,303
Printing & Copying	488	297	470	1,255
Equipment Rent/Repair	522	318	139	979
Workers Comp Insurance	379	131	104	614
Staff Development	16	11	4	31
	<u>1,178,806</u>	<u>106,560</u>	<u>108,141</u>	<u>1,393,507</u>
Total Expenses	<u>\$ 1,178,806</u>	<u>\$ 106,560</u>	<u>\$ 108,141</u>	<u>\$ 1,393,507</u>

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

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

	2021			Total
	Program Services	Management and General	Fundraising	
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
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

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 March 23, 2023, the date the financial statements were available to be issued.

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.

OPERATION BOOTSTRAP AFRICA

NOTES TO FINANCIAL STATEMENTS

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

Investments (Continued)

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.

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.

OPERATION BOOTSTRAP AFRICA

NOTES TO FINANCIAL STATEMENTS

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

Revenue Recognition (Continued)

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.

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.

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 2022 and 2021.

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.

OPERATION BOOTSTRAP AFRICA

NOTES TO FINANCIAL STATEMENTS

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

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 3.

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.

Endowments

The Organization follows the provisions of the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA). This provides guidance on the classification of endowment net assets and enhances disclosure for endowment funds. Under UPMIFA all unappropriated endowment funds are considered net assets with donor restrictions.

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, 2022, the Organization had no significant concentrations of credit risk.

OPERATION BOOTSTRAP AFRICA

NOTES TO FINANCIAL STATEMENTS

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 \$96,600. 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, consisting mostly of money market funds.

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.

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of August 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Financial Assets:		
Cash	\$ 122,249	\$ 587,236
Prepaid Expenses	28,906	1,607
Investment Securities	<u>1,654,988</u>	<u>1,183,414</u>
Total Financial Assets	<u>1,806,143</u>	<u>1,772,257</u>
Less Financial Assets Held to Meet Donor Restrictions:		
Purpose Restricted-Net Assets	713,020	1,143,990
Donor-Restricted Endowment Funds	<u>517,013</u>	-
Less Financial Assets Held to Meet Donor Restrictions	<u>1,230,033</u>	<u>1,143,990</u>
Less Financial Assets not Available within One Year:		
Board Designated Endowment Funds	<u>360,308</u>	<u>428,201</u>
Amounts Available for General Expenditure within One Year	<u>\$ 215,802</u>	<u>\$ 200,066</u>

The above table reflects donor-restricted and board-designated endowment funds as unavailable because it is the Organization's intention to invest those resources for the long-term support of the organization. However, in the case of need, the Board of Directors could appropriate resources from its designated endowment fund of \$360,308.

OPERATION BOOTSTRAP AFRICA

NOTES TO FINANCIAL STATEMENTS

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, 2022 and 2021:

	2022		2021	
	Cost	Market	Cost	Market
Money Market	\$ -	\$ -	\$ 11,416	\$ 11,416
Mutual Funds	1,318,989	1,180,377	566,555	652,077
Close End Funds	512,547	474,611	71,216	91,720
Total	<u>\$ 1,831,536</u>	<u>\$ 1,654,988</u>	<u>\$ 649,187</u>	<u>\$ 755,213</u>

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, 2022 and 2021:

	2022	2021
Interest and Dividends	\$ 64,895	\$ 24,114
Unrealized Losses	(312,663)	(43,003)
Realized Gains	3,678	235,084
Total Investment Income (Loss)	<u>\$ (244,090)</u>	<u>\$ 216,195</u>

NOTE 4 - BENEFICIAL INTEREST IN FUNDS HELD BY OTHERS

In 2020, the Organization was 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 made distributions to the Organization in accordance with ICF's spending policy. ICF had the right to distribute the investment income to another not-for-profit organization of ICF's choice if the Organization ceased to exist or if the governing board of ICF voted that support of the Organization was no longer necessary or was inconsistent with the needs of the community. The value of these funds were recorded at fair value in the statement of financial position and at August 31, 2020 were \$428,201. These funds were measured at fair value using Level 3 inputs.

In 2021, ICF returned the funds to the Organization, who reinvested them into separate investment security funds.

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, 2020	\$ 352,640
Contributions to Funds Held by Others	1,500
Net Change in Market Value	<u>74,061</u>
Balance as of August 31, 2021	428,201
Net Change in Market Value	(30,089)
Redemption of Funds Held by Others	<u>(398,112)</u>
Balance as of August 31, 2022	<u>\$ —</u>

NOTE 5 - NET ASSETS

Net assets with donor restrictions consist of the following at August 31, 2022 and 2021:

	2022	2021
Perpetually Restricted:		
Mark & Linda Jacobson Scholarship Endowment	<u>\$ 591,000</u>	<u>\$ —</u>
Term Restricted:		
ALMC School of Nursing Scholarship Fund	425,232	324,550
MGLSS Special Projects	57,278	58,332
Eric Hanson Scholarship Fund	40,976	39,266
Secondary and Post-Secondary Scholarship Fund	33,067	86,759
Simonson	29,232	29,232
Disaster Relief	28,803	31,483
Madagascar Lunch	27,667	37,853
Nursing Special Project	22,968	4,968
Lake Area Annu	15,738	15,738
Olarash Primary School	10,411	21,243
Jifunze	4,849	12,899
Other East African School's Project	4,758	—
MSS Special Project	3,897	13,055
Bassodawish Primary School	3,383	1,861
Gracious School	3,315	2,955
Ketumbeine PS	806	806
Ilboro	407	1,872
Tours	110	110
Makanta	105	105
Nursing School Construction Project	18	—
Mark & Linda Jacobson Scholarship Endowment	(73,987)	
Arusha Lutheran Medical Centre	—	405,306
Madagascar Luth	—	47,548
Plaster House	—	8,049
Total Term Restricted Funds	<u>639,033</u>	<u>1,143,990</u>
Total Net Assets with Donor Restrictions	<u>\$ 1,230,033</u>	<u>\$ 1,143,990</u>

Net assets with donor restrictions released from restriction were \$974,063 and \$904,300 in August 31, 2022 and 2021. 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 endowment consists of three individual funds established either by donors (donor-restricted endowment funds) and or by resources set aside by the Board of Directors to function as endowments (board-designated endowment funds). Donor-restricted endowment funds are further divided into those that provide a perpetual source of support for the Organization's activities (perpetual endowments) and those that are restricted by donors for investment for a specified term (term endowments). 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. Investment activities within one of the endowment funds has caused that fund to be underwater by \$73,987.

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 adopted 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 Organization has approved an appropriation policy of spending a prudent amount of the endowment fund's market value annually, if the fund is not underwater. The amount to be distributed shall be determined based on the need and requests for scholarships and the availability of sufficient market value of the fund assets.

The following table shows the endowment-related activities for the years ending August 31, 2022 and 2021:

	Without Donor Restrictions	With Donor Restrictions		Total
		Term	Perpetual	
Endowment Net Assets, August 31, 2020	\$ 352,640	\$ -	\$ -	\$ 352,640
Contributions	1,500	-	-	1,500
Interest and Dividend Income	9,369	-	-	9,369
Investment Gains	68,316	-	-	68,316
Investment Management Fees	<u>(3,624)</u>	<u>-</u>	<u>-</u>	<u>(3,624)</u>
Endowment Net Assets, August 31, 2021	428,201	-	-	428,201
Contributions	-	-	141,000	141,000
Repurposed Term Restricted Net Assets	-	-	450,000	450,000
Interest and Dividend Income	4,148	17,922	-	22,070
Investment Losses	(67,723)	(88,595)	-	(156,318)
Investment Management Fees	<u>(4,318)</u>	<u>(3,314)</u>	<u>-</u>	<u>(7,632)</u>
Endowment Net Assets, August 31, 2022	<u>\$ 360,308</u>	<u>\$ (73,987)</u>	<u>\$ 591,000</u>	<u>\$ 877,321</u>

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 \$4,556 in 2022 and \$4,006 in 2021.

OPERATION BOOTSTRAP AFRICA

NOTES TO FINANCIAL STATEMENTS

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:			
2022	\$ 17,335	\$ 979	\$ 18,314
2021	16,905	5,066	21,971
Commitments:			
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>\$ 42,435</u>	<u>\$ 3,961</u>	<u>\$ 46,396</u>