

RAFIKI FOUNDATION, INC.
Eustis, Florida

ANNUAL FINANCIAL REPORT
December 31, 2016 and 2015

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Independent Auditors' Report

Board of Directors
Rafiki Foundation, Inc.
Eustis, Florida

We have audited the accompanying financial statements of Rafiki Foundation, Inc. (the Foundation) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements 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 audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Rafiki Foundation, Inc. as of December 31, 2016 and 2015, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Crippen & Co.

Ocala, Florida
June 5, 2017

RAFIKI FOUNDATION, INC.
Eustis, Florida
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

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	<u>2016</u>	<u>2015</u>
Assets		
Cash and Cash Equivalents - Home Office	\$ 1,183,420	\$ 3,285,132
Cash and Cash Equivalents - Foreign	270,350	421,396
Accounts Receivable	4,785	2,658
Prepaid Assets	130,395	133,064
Inventories	104,564	93,298
Investments	1,517,937	363,435
Construction in Progress	2,242,980	1,006,689
Property and Equipment (Net of Accumulated Depreciation of \$12,280,942 and \$10,823,757, respectively)	19,626,164	20,430,456
Contribution Receivable - Charitable Remainder Unitrust	72,092	75,887
Trademark (Net of Amortization of \$3,216 and \$2,680, respectively)	4,826	5,362
Other Assets	10,000	10,000
Total Assets	<u><u>\$ 25,167,513</u></u>	<u><u>\$ 25,827,377</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts Payable	\$ 36,468	\$ 13,460
Accrued Expenses	7,188	43,568
Total Liabilities	<u>43,656</u>	<u>57,028</u>
Net Assets		
Unrestricted	22,332,610	22,472,958
Temporarily Restricted	2,791,247	3,297,391
Total Net Assets	<u>25,123,857</u>	<u>25,770,349</u>
Total Liabilities and Net Assets	<u><u>\$ 25,167,513</u></u>	<u><u>\$ 25,827,377</u></u>

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

RAFIKI FOUNDATION, INC.
Eustis, Florida
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains, and Other Support			
Individual Contributions	\$ 2,360,262	\$ 5,651,092	\$ 8,011,354
Interest and Dividend Income	1,827	-	1,827
Net Realized and Unrealized Gain on Investments	97,015	-	97,015
Exchange Operations - Net of Direct Operating Expenses	(43,706)	-	(43,706)
Net Assets Released from Restrictions	6,157,236	(6,157,236)	-
Total Revenues, Gains, and Other Support	<u>8,572,634</u>	<u>(506,144)</u>	<u>8,066,490</u>
 Functional Expenses			
Program Services	7,957,904	-	7,957,904
Support Services	755,078	-	755,078
Total Functional Expenses	<u>8,712,982</u>	<u>-</u>	<u>8,712,982</u>
 Decrease in Net Assets	 (140,348)	 (506,144)	 (646,492)
 Net Assets, Beginning of Year	 <u>22,472,958</u>	 <u>3,297,391</u>	 <u>25,770,349</u>
 Net Assets, End of Year	 <u>\$ 22,332,610</u>	 <u>\$ 2,791,247</u>	 <u>\$ 25,123,857</u>

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

RAFIKI FOUNDATION, INC.
Eustis, Florida
STATEMENT OF ACTIVITIES
Year Ended December 31, 2015

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains, and Other Support			
Individual Contributions	\$ 2,144,998	\$ 6,764,975	\$ 8,909,973
Interest and Dividend Income	40,262	-	40,262
Net Realized and Unrealized Loss on Investments	(50,532)	-	(50,532)
Exchange Operations - Net of Direct Operating Expenses	(39,808)	-	(39,808)
Net Assets Released from Restrictions	7,527,019	(7,527,019)	-
Total Revenues, Gains, and Other Support	<u>9,621,939</u>	<u>(762,044)</u>	<u>8,859,895</u>
 Functional Expenses			
Program Services	7,850,197	-	7,850,197
Support Services	846,881	-	846,881
Total Functional Expenses	<u>8,697,078</u>	<u>-</u>	<u>8,697,078</u>
 Increase (Decrease) in Net Assets	924,861	(762,044)	162,817
 Net Assets, Beginning of Year	<u>21,548,097</u>	<u>4,059,435</u>	<u>25,607,532</u>
 Net Assets, End of Year	<u>\$ 22,472,958</u>	<u>\$ 3,297,391</u>	<u>\$ 25,770,349</u>

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

RAFIKI FOUNDATION, INC.

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Eustis, Florida

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2016

	Support			Program	Total Support and Program Services
	Fund- Raising	Management and General	Total Support Services	Program Services	
Functional Expenses					
Salaries	\$ 51,066	\$ 199,131	\$ 250,197	\$ 1,210,652	\$ 1,460,849
Payroll Expenses and Benefits	19,588	76,385	95,973	705,075	801,048
Village, Children and Schools	-	-	-	2,858,139	2,858,139
Computer	314	2,256	2,570	3,877	6,447
Contract Services	-	16,838	16,838	-	16,838
Entertainment/Accomodations	221	265	486	397	883
Food Services	2,064	2,477	4,541	3,715	8,256
Fundraising	12,471	-	12,471	-	12,471
Insurance	4,869	18,988	23,857	36,713	60,570
Bank and Investment Fees	-	56,505	56,505	-	56,505
Education	-	-	-	304,557	304,557
Mini-mission	-	-	-	297,003	297,003
Office Supplies	1,069	4,172	5,241	8,067	13,308
Missionary Field Expenses	-	-	-	506,189	506,189
Projects	-	-	-	115,342	115,342
Postage and Shipping	6,720	3,360	10,080	23,519	33,599
Printing and Publishing	11,389	5,637	17,026	39,459	56,485
Professional Services	6,594	21,428	28,022	44,324	72,346
Property Taxes	-	3,110	3,110	-	3,110
Rent - Equipment	5,347	2,674	8,021	18,715	26,736
Repairs and Maintenance	3,349	13,058	16,407	25,248	41,655
RICE Program	-	-	-	254,433	254,433
Security Services	-	8,765	8,765	-	8,765
Telephone	2,131	8,311	10,442	16,070	26,512
Travel	2,268	4,535	6,803	153,157	159,960
Utilities	2,216	8,639	10,855	16,704	27,559
Vehicles	175	681	856	1,318	2,174
Miscellaneous	1,518	5,920	7,438	11,446	18,884
Total Functional Expenses Before Depreciation and Amortization	133,369	463,135	596,504	6,654,119	7,250,623
Depreciation and Amortization	536	158,038	158,574	1,303,785	1,462,359
Total Functional Expenses	\$ 133,905	\$ 621,173	\$ 755,078	\$ 7,957,904	\$ 8,712,982

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

RAFIKI FOUNDATION, INC.

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Eustis, Florida

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2015

	Support			Program	Total Support and Program Services
	Fund- Raising	Management and General	Total Support Services	Program Services	
Functional Expenses					
Salaries	\$ 82,756	\$ 222,567	\$ 305,323	\$ 1,248,645	\$ 1,553,968
Payroll Expenses and Benefits	36,000	96,818	132,818	585,177	717,995
Village, Children and Schools	-	-	-	2,824,513	2,824,513
Computer	1,381	3,713	5,094	7,824	12,918
Contract Services	1,257	13,450	14,707	16,326	31,033
Entertainment/Accomodations	534	118	652	534	1,186
Food Services	3,384	752	4,136	3,384	7,520
Fundraising	32,341	-	32,341	-	32,341
Insurance	5,554	14,939	20,493	31,468	51,961
Bank and Investment Fees	-	72,633	72,633	-	72,633
Education	-	-	-	397,439	397,439
Mini-mission	-	-	-	351,556	351,556
Office Supplies	1,902	5,114	7,016	10,773	17,789
Missionary Field Expenses	-	-	-	591,996	591,996
Projects	-	-	-	36,191	36,191
Postage and Shipping	8,890	23,908	32,798	50,361	83,159
Printing and Publishing	6,734	-	6,734	26,933	33,667
Professional Services	5,929	19,486	25,415	47,750	73,165
Property Taxes	332	894	1,226	1,884	3,110
Rent - Equipment	2,613	7,027	9,640	14,801	24,441
Repairs and Maintenance	6,107	16,425	22,532	34,598	57,130
RICE Program	-	-	-	170,072	170,072
Security Services	1,326	3,566	4,892	7,511	12,403
Telephone	3,008	8,090	11,098	17,040	28,138
Travel	11,791	-	11,791	106,117	117,908
Utilities	3,087	8,304	11,391	17,492	28,883
Vehicles	26	71	97	150	247
Miscellaneous	1,758	4,727	6,485	9,957	16,442
Total Functional Expenses Before Depreciation and Amortization	216,710	522,602	739,312	6,610,492	7,349,804
Depreciation and Amortization	27,968	79,601	107,569	1,239,705	1,347,274
Total Functional Expenses	\$ 244,678	\$ 602,203	\$ 846,881	\$ 7,850,197	\$ 8,697,078

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

RAFIKI FOUNDATION, INC.
Eustis, Florida
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015

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	<u>2016</u>	<u>2015</u>
<u>Reconciliation of Changes in Net Assets to Net Cash</u>		
<u>Used in Operating Activities</u>		
(Decrease) Increase in Net Assets	\$ (646,492)	\$ 162,817
Reconciling Adjustments:		
Depreciation and Amortization	1,462,359	1,347,274
Net Realized and Unrealized (Gain) Loss on Investments	(97,015)	50,532
Net Gain on Disposal of Assets	(650)	-
Decrease (Increase) in Accounts Receivable	(2,127)	4,512
Decrease (Increase) in Prepaid Expenses	2,669	(46,813)
Increase in Inventories	(11,266)	(30,340)
Decrease (Increase) in Contribution Receivable - Charitable Remainder Unitrust	3,795	(1,669)
Increase (Decrease) in Accounts Payable	23,008	(42,049)
Increase (Decrease) in Accrued Expenses	(36,380)	14,092
Increase (Decrease) in Benefit Obligatons	-	(694,330)
Net Cash Provided by Operating Activities	<u>697,901</u>	<u>764,026</u>
Cash Flows from Investing Activities		
Purchase of Property and Equipment	(36,512)	(141,017)
Proceeds from Sale of Property and Equipment	650	-
Construction in Progress	(1,857,310)	(1,505,066)
Sales and Maturities of Investments	1,728,975	4,667,651
Purchase of Investments	<u>(2,786,462)</u>	<u>(1,888,428)</u>
Net Cash (Used in) Provided by Investing Activities	<u>(2,950,659)</u>	<u>1,133,140</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(2,252,758)	1,897,166
Cash and Cash Equivalents, Beginning of Year	<u>3,706,528</u>	<u>1,809,362</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,453,770</u>	<u>\$ 3,706,528</u>

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

NOTES TO FINANCIAL STATEMENTS

RAFIKI FOUNDATION, INC.
Eustis, Florida
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

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1. Summary of Significant Accounting Policies:

Organization and Purpose – Rafiki is a Swahili word meaning “friend.” The Rafiki Foundation, Inc. (the Foundation) is a not-for-profit corporation and was established to befriend the needy in developing countries in Africa spiritually, educationally, and physically. The Foundation established Rafiki Villages in ten countries and sends qualified individuals to serve in these centers. The Foundation’s goal is to help Africans know God and raise their standard of living with excellence and integrity. This is achieved through five programs: Bible study, Christian classical education, Orphan care, a widows program, and teacher training.

Basis of Presentation – The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with United States generally accepted accounting principles. Net assets, support and revenue, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets: Net assets that are not subject to donor-imposed stipulations. Assets restricted solely through actions of the Board are reported as unrestricted net assets. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time. When a restriction expires, 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 Net Assets: Net assets subject to donor-imposed stipulations that the assets be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

Cash and Cash Equivalents – Cash and cash equivalents, for purposes of the cash flow statements, includes cash accounts and highly liquid investments with original maturities of three months or less. Also, certain bank deposit accounts occasionally exceed FDIC insurance limits. The Foundation had cash deposits of \$243,849 and \$2,406,868 in excess of federally insured limits as of December 31, 2016 and 2015, respectively. The Foundation believes that there is no significant risk with respect to these deposits and has not experienced any losses on such accounts.

Investments – Investments in marketable securities are stated at fair market value at quoted market prices. Contributed investments are recorded at their fair value at the date of donation.

FASB Accounting Standards Codification 820 (ASC 820), Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Reclassifications – Certain accounts in the 2015 financial statements have been reclassified for comparative purposes to conform with the presentation in the 2016 financial statements.

RAFIKI FOUNDATION, INC.
Eustis, Florida
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

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1. Summary of Significant Accounting Policies: (continued)

Exchange Rates – Day-to-day foreign operations have been converted to U.S. dollars for purposes of presenting financial statements. Exchange rate gains and losses as a result of conversion to dollars are included in the Foundation's expenses.

Receivables and Bad Debt – At December 31, 2016 and 2015, no allowance for bad debts has been established as it is management's opinion that no losses will be incurred.

Inventories – Inventories consist of products made by widows in Africa for sale in the Exchange shop and online and are stated at the lower of cost or market.

Property and Equipment – Depreciation of property and equipment is provided over the estimated useful lives (3 to 40 years) of the respective assets on a straight-line basis. Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment are valued at cost with the exception of certain contributed furniture, equipment, and vehicles, which are stated at the fair market value at the date the contributions were received.

Beneficial Interest in Split Interest Agreement – The Foundation is a beneficiary of the remainder interest in a charitable remainder trust fund, which is held by a third party as trustee. The Foundation has recorded the contribution and beneficial interest related to this trust fund at fair value, which is estimated as the net present value of the estimated future amount to be received.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Costs – The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes – The Foundation is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation has been classified as an organization other than a private foundation under the Internal Revenue Code.

The Foundation's Form 990, Return of Organization Exempt from Income Tax, for the years ending 2013, 2014, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

Donated Goods and Services – A substantial amount of goods and services has been contributed to the Foundation to help carry out its activities. The value of these contributions is not recorded in the accompanying financial statements since it is generally not susceptible to objective measurement or valuation.

Shipping and Handling Costs – The Foundation classifies all freight paid for exchange shop purchases as cost of sales in the period incurred.

RAFIKI FOUNDATION, INC.
Eustis, Florida
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

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1. Summary of Significant Accounting Policies: (concluded)

Subsequent Events – The Foundation has evaluated events and transactions for potential recognition or disclosure in the financial statements through the date the financial statements were available to be issued on June 5, 2017.

2. Conditional Promises to Give:

Rafiki missionaries ask members of their church, families, and others to submit pledge cards indicating the donations they intend to give to support their mission for a period of two years while overseas. These pledges are contingent upon the fact that the missionaries stay with Rafiki for the completion of their term of service, and as such do not meet the criteria for revenue recognition under United States generally accepted accounting standards. For this reason they are not reflected as contributions in the statement of activities until the pledges are collected.

3. Property and Equipment:

Property and equipment are as follows as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 2,021,373	\$ 2,021,373
Buildings and improvements – Foreign countries	24,015,278	23,415,078
Buildings and improvements – Home office	4,741,146	4,741,146
Furniture and equipment	975,973	961,258
Vehicles	<u>153,336</u>	<u>115,358</u>
	31,907,106	31,254,213
Less: Accumulated depreciation	<u>(12,280,942)</u>	<u>(10,823,757)</u>
Net Property and Equipment	<u>\$ 19,626,164</u>	<u>\$ 20,430,456</u>

Depreciation expense for the years ended December 31, 2016 and 2015, was \$1,461,823 and \$1,346,738, respectively

The Foundation capitalized costs of \$8,042 associated with obtaining a trademark. The trademark is amortized over fifteen years. Amortization expense for the years ended December 31, 2016 and 2015 was \$536.

4. Pension Plans:

The Foundation instituted two separate defined benefit retirement plans, one effective January 1, 2001 for Rafiki Foundation Incorporated (Home Office) and the second effective August 1, 2000 for Rafiki Foundation Overseas Staff (Overseas Staff) covering those employees meeting specified eligibility requirements. The plans were frozen in 2010 after which no further benefits or credited service accrued under the plan. The plans were consolidated as of September 2014. The Foundation terminated the plan and satisfied its obligation during 2015. Each participant's accrued benefit vested according to the graded vesting schedule of Plan Section 5.6(b) up through the plan's termination. Benefits were based primarily upon years of service with the Foundation and their compensation rates near retirement. The Foundation's funding policy was to contribute the annual actuarially required amounts to the plan.

RAFIKI FOUNDATION, INC.
Eustis, Florida
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

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4. Pension Plans: (continued)

Generally accepted accounting principles require the Foundation to recognize the funded position of its plan (the difference between the fair value of plan assets and the projected benefit obligation) in the statement of financial position. The Foundation had no obligation or expense associated with the plan for the year ended December 31, 2016. The Foundation recognized operating expense of \$858,010 as of December 31, 2015, which was reported in the statements of activities as a decrease in unrestricted net assets.

Following is a summary of plan information as provided by the consulting actuary at fiscal year 2015:

	<u>Consolidated Plan</u>
Change in projected benefit obligation:	
Projected benefit obligation, beginning of year	\$ 4,605,102
Interest cost	-
Amendments	33,197
Actuarial (gain) loss	37,210
Benefits paid	<u>(4,675,509)</u>
Projected benefit obligation, end of year	\$ -
Change in plan assets:	
Fair value of plan assets, beginning of year	\$ 4,226,555
Actual return on plan assets	-
Transfer from Overseas Plan	-
Employer Contributions	658,743
Benefits paid	(4,675,509)
Expenses Paid from the Trust	<u>(209,789)</u>
Fair value of plan assets, end of year	\$ -
Funded Status – benefit obligation in excess of plan assets (liability on statement of financial position)	<u>\$ -</u>
Accumulated benefit obligation	<u>\$ -</u>
Components of net periodic benefit cost and other amounts recognized in unrestricted net assets:	
Interest cost	\$ 33,197
Expected return on plan assets	(20,787)
Amortization of net loss	<u>845,600</u>
Total net periodic pension cost before settlement	<u>\$ 858,010</u>
Settlement	<u>267,786</u>
Net Periodic Pension Cost	<u>\$ 1,125,796</u>

RAFIKI FOUNDATION, INC.
Eustis, Florida
NOTES TO FINANCIAL STATEMENTS
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4. Pension Plans: (concluded)

Weighted-average assumptions used to determine benefit obligations:	
Discount rate	N/A
Weighted-average assumptions used to determine net periodic benefit cost:	
Discount rate	N/A
Expected long-term return on plan assets	N/A

No summary of plan information is provided as the plan was terminated during the 2015 fiscal year.

5. Volunteer Services:

The impact of volunteer services performed at overseas locations cannot be adequately determined; however, the hours of volunteer services received at headquarters in Eustis, Florida have been determined. In the year ended December 31, 2016 and 2015, approximately 5,095 and 4,057 hours, respectively, were donated in services performed by over 300 volunteers. These hours do not meet accounting guidelines for valuation and therefore have not been recorded on these financial statements.

6. Charitable Remainder Unitrust:

During 2004, a donor established a trust with a brokerage firm naming the Foundation as a 50% beneficiary of a charitable remainder unitrust. Under terms of the split-interest agreement, the donors will receive 5% of the net fair market value of the assets quarterly until their death. At the time of the donors' death, the trust is to terminate, and the remaining trust assets are to be distributed to the beneficiaries. Based on the donors' life expectancy and a 5% discount rate, the present value of future benefits expected to be received by the Foundation was estimated to be \$72,092 and \$75,887, respectively, which was recorded in 2016 and 2015 as a temporarily restricted contribution and as a contribution receivable – charitable remainder unitrust.

The following table sets forth a summary of changes in the fair value of the split interest agreement, which are Level 3 assets, for the years ended December 31, 2016 and 2015:

Balance at December 31, 2014	\$ 74,218
Total gains (unrealized and realized), net of fees	<u>1,669</u>
Balance at December 31, 2015	75,887
Total gains (unrealized and realized), net of fees	<u>(3,795)</u>
Balance at December 31, 2016	<u>\$ 72,092</u>

RAFIKI FOUNDATION, INC.
Eustis, Florida
NOTES TO FINANCIAL STATEMENTS
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7. Investments:

The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets' quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Foundation considers all investments to be Level 1 investments. Investments consist solely of mutual funds as of December 31, 2016 and 2015.

8. Net Assets:

Net assets consist of the following for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Unrestricted Net Assets		
Net Investment in Land, Property and Equipment	\$ 21,869,144	\$ 21,437,145
Undesignated, Unrestricted Net Assets	463,466	1,035,813
Total Unrestricted Net Assets	<u>22,332,610</u>	<u>22,472,958</u>
Temporarily Restricted Net Assets		
Construction	1,114,400	1,616,783
Medical Clinics	20,500	20,500
Mini-Missions	49,546	57,790
Outreach	1,101,993	1,185,295
RALI USA	100,000	-
Home Office Relocation	4,621	4,621
10 th Presbyterian	35,560	-
Dr. Bob Jensen Memorial	-	100,210
Discretionary	292,535	236,305
Charitable Remainder Unitrust	72,092	75,887
Total Temporarily Restricted Net Assets	<u>2,791,247</u>	<u>3,297,391</u>
Total Net Assets	<u>\$ 25,123,857</u>	<u>\$ 25,770,349</u>

9. Operating Leases:

The Foundation leases copying machines, a folding machine, a weighing platform, printers, and a printing press that expire February 2018 through July 2021.

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9. Operating Leases: (concluded)

Rental expenses for these leases were \$180,851 and \$157,357, including copy charges of \$45,330 and \$37,236 for the years ended December 31, 2016 and 2015, respectively. Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 2016, are as follows:

<u>Year Ending</u>	
December 31, 2017	\$ 122,916
December 31, 2018	89,978
December 31, 2019	75,300
December 31, 2020	49,829
December 31, 2021	<u>15,534</u>
Total	<u>\$ 353,557</u>

10. Construction in Progress:

Construction in progress is categorized as follows:

	<u>2016</u>	<u>2015</u>
Rafiki Village Nigeria	\$ 337,052	\$ -
Rafiki Village Malawi	681,307	542,737
Rafiki Village Liberia	-	31,169
Rafiki Village Tanzania	616,218	243,617
Rafiki Village Zambia	<u>608,403</u>	<u>189,166</u>
	<u>\$ 2,242,980</u>	<u>\$ 1,006,689</u>

11. Net Assets Released from Restrictions:

Net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows:

	<u>2016</u>	<u>2015</u>
Purpose Restrictions Accomplished:		
Children's Centers/Orphan Fund	\$ 1,850,967	\$ 2,865,461
Curriculum & Teacher's Training	25,367	145,392
I.T. Development	-	75,221
Mini-missions	302,833	362,471
Pastor's Conference & General	2,660	10,407
Outreach	1,964,244	2,421,463
Village Constructions	<u>2,011,165</u>	<u>1,646,604</u>
	<u>\$ 6,157,236</u>	<u>\$ 7,527,019</u>

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12. Related Party Transactions:

Board members and senior staff make voluntary contributions to the Foundation. Total contributions from these related parties were \$198,158 for the year ended December 31, 2016.

SUPPLEMENTARY INFORMATION

RAFIKI FOUNDATION, INC.

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**SCHEDULES OF REVENUES AND DIRECT
EXPENSES - EXCHANGE OPERATION
Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Net sales	\$ 119,850	\$ 122,012
Cost of goods sold	(41,790)	(31,038)
Gross Profit	<u>78,060</u>	<u>90,974</u>
Other Revenues:		
Shipping collected	1,721	1,918
Donations	804	2,607
Total Other Revenue	<u>2,525</u>	<u>4,525</u>
Total Revenue	<u>80,585</u>	<u>95,499</u>
Direct Operating Expenses:		
Payroll & related expenses	102,616	101,708
Miscellaneous	7,499	17,486
Shipping	12,698	12,859
Supplies	1,478	3,254
Total Direct Operating Expenses	<u>124,291</u>	<u>135,307</u>
Revenues Less Direct Expenses	<u>\$ (43,706)</u>	<u>\$ (39,808)</u>

Note: The Foundation does not allocate overhead expenses such as rent and utilities and administrative expenses to the Exchange Operation.

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