



**FINANCIAL STATEMENTS TOGETHER WITH
REPORT OF INDEPENDENT AUDITORS**

OCTOBER 31, 2017 AND 2016

GRASSROOTS INTERNATIONAL, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Grassroots International, Inc.

We have audited the accompanying financial statements of Grassroots International, Inc. (a Massachusetts nonprofit organization), which comprise the statement of financial position as of October 31, 2017, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year 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.

Auditor's 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 combined 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 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 Grassroots International, Inc. as of October 31, 2017, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Report on Summarized Comparative Information

We have previously audited Grassroots International, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 26, 2017. In our opinion, the summarized comparative information herein as of and for the year ended October 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "BJHC PC". The letters are bold and stylized, with some overlapping.

Topsfield, Massachusetts
February 6, 2018

GRASSROOTS INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION
OCTOBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents, substantially all in interest-bearing accounts	\$ 255,515	\$ 472,632
Grants and unconditional promises to give	24,673	35,799
Investments	1,363,862	923,131
Prepaid expenses and other	21,991	29,093
Fixed and other assets, net	37,007	37,383
	<hr/>	
Total assets	\$ 1,703,048	\$ 1,498,038
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LIABILITIES		
Grants payable	\$ 70,073	\$ 124,800
Accounts payable and accrued expenses	108,834	91,788
	<hr/>	
Total liabilities	178,907	216,588
	<hr/>	
NET ASSETS		
Without donor restrictions:		
Undesignated	299,467	196,090
Board-designated	741,864	691,864
With donor restrictions	482,810	393,496
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Total net assets	1,524,141	1,281,450
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Total liabilities and net assets	\$ 1,703,048	\$ 1,498,038
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The accompanying notes are an integral part of these combined financial statements.

GRASSROOTS INTERNATIONAL, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED OCTOBER 31, 2017
(with comparative totals for 2016)

	<u>Without Donor Restrictions</u>		With Donor Restrictions	2017 Total	2016 Total
	Undesignated	Board-designated			
SUPPORT AND REVENUES					
Grants and contributions	\$ 1,193,760	\$ -	\$ 3,212,442	\$ 4,406,202	\$ 2,289,071
Special events	-	-	19,800	19,800	-
In-kind contributions	31,476	-	-	31,476	11,058
Net investment and other income	103,758	-	16,500	120,258	114,904
	1,328,994	-	3,248,742	4,577,736	2,415,033
Net assets released from restrictions	3,159,428	-	(3,159,428)	-	-
Total support and revenues	4,488,422	-	89,314	4,577,736	2,415,033
EXPENSES:					
PROGRAM SERVICES					
Humanitarian/social justice	3,331,575	-	-	3,331,575	1,475,991
Education	135,704	-	-	135,704	269,712
Total program services	3,467,279	-	-	3,467,279	1,745,703
SUPPORT SERVICES					
Management and general	325,439	-	-	325,439	262,757
Fundraising and development	542,327	-	-	542,327	368,573
Total support services	867,766	-	-	867,766	631,330
Total expenses	4,335,045	-	-	4,335,045	2,377,033
CHANGE IN NET ASSETS	153,377	-	89,314	242,691	38,000
NET ASSETS, beginning of year	196,090	691,864	393,496	1,281,450	1,243,450
Board designation of net assets	(50,000)	50,000	-	-	-
NET ASSETS, end of year	\$ 299,467	\$ 741,864	\$ 482,810	\$ 1,524,141	\$ 1,281,450

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

GRASSROOTS INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 242,691	\$ 38,000
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	5,230	4,584
Realized and unrealized gains on investments	(77,927)	(30,471)
Cash provided by (used in) changes in:		
Grants and unconditional promises to give	11,126	9,992
Prepaid expenses and other	7,102	3,949
Grants payable	(54,727)	31,700
Accounts payable and accrued expenses	17,046	39,541
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>150,541</u>	<u>97,295</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to fixed and other assets	(2,627)	(7,317)
Net purchases of investment securities	(365,031)	(166,020)
NET CASH USED IN INVESTING ACTIVITIES	<u>(367,658)</u>	<u>(173,337)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(217,117)	(76,042)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>472,632</u>	<u>548,674</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 255,515</u>	<u>\$ 472,632</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest and taxes	<u>\$ -</u>	<u>\$ -</u>

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

GRASSROOTS INTERNATIONAL, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED OCTOBER 31, 2017
(with comparative totals for 2016)

	PROGRAM SERVICES		SUPPORT SERVICES		2017 Total	2016 Total
	Humanitarian/ Social Justice	Education	Management and General	Fundraising/ Development		
GRANTS:						
Cash grants - general funds	\$ 2,850,172	\$ -	\$ -	\$ -	\$ 2,850,172	\$ 1,053,457
Cash grants - board-designated funds	-	-	-	-	-	-
In-kind material aid grants	-	-	-	-	-	727
Material aid shipping grants	-	-	-	-	-	750
Total grants	2,850,172	-	-	-	2,850,172	1,054,934
Salaries and wages	305,358	78,542	142,403	207,731	734,034	681,354
Payroll taxes and benefits	100,762	25,917	46,990	68,547	242,216	207,963
Consultants and contracted services	8,348	10,371	5,529	48,313	72,561	108,994
Public relations and special projects	-	368	178	18,106	18,652	12,889
Travel, meals and lodging	37,835	5,346	18,890	14,140	76,211	55,813
Occupancy costs	22,461	5,777	10,474	15,279	53,991	52,574
Depreciation and amortization	2,175	560	1,015	1,480	5,230	4,584
Legal and accounting	-	-	16,812	-	16,812	21,834
Direct mail	-	-	-	13,818	13,818	2,587
Printing, postage and delivery	73	7,826	11,125	131,994	151,018	117,277
Telephone	2,941	756	1,372	2,001	7,070	6,446
Office, board expense and events	1,450	-	65,190	11,442	78,082	38,094
Bank service charges	-	-	5,170	9,276	14,446	10,966
Films and publications	-	241	291	200	732	724
Total expenses	\$ 3,331,575	\$ 135,704	\$ 325,439	\$ 542,327	\$ 4,335,045	\$ 2,377,033

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

GRASSROOTS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017 AND 2016

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES:

Grassroots International, Inc., "Grassroots", (a Massachusetts corporation, not for profit) is a human rights and international development organization that supports social change movements in the Third World. Grassroots funds movement building, community-led sustainable development projects and human rights defense, particularly around "Resource Rights" in the Middle East, Latin America, the Caribbean and other areas, and educates and advocates on those issues in the United States.

SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation and Classification and Reporting of Net Assets

The accompanying financial statements are prepared on the accrual basis of accounting.

Grassroots classifies net assets, revenues, gains and losses based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions represent the portion of net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.
- Net assets with donor restrictions represent the portion of net assets subject to donor- (or certain grantor-) imposed restrictions. Certain donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates resources to be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Management's Review

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through February 6, 2018, the date the financial statements were available to be issued. Grassroots is not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements.

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GRASSROOTS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017 AND 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued):

Comparative Financial Statements

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Grassroots' financial statements for the year ended October 31, 2016, from which the summarized information was taken.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and highly liquid investments with an initial maturity of three months or less. Included in cash and cash equivalents in the Statement of Financial Position are money market accounts totaling \$211,842 and \$262,904 at October 31, 2017 and 2016, respectively. Also included in cash is a short-term certificate of deposit totaling \$27,405 and \$27,350 at October 31, 2017 and 2016, respectively.

Grant, Contribution and Promises to Give Revenue

Contributions are recognized when the donor makes a promise to give to Grassroots that is, in substance, unconditional. Contributions that are unrestricted by the donor are reported as increases in net assets without donor restrictions. All other grantor or donor-restricted grants and contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Grants and promises to give in the Statement of Financial Position are all receivable in one year or less.

In-kind Contributions

Grassroots receives in-kind contributions of investment securities throughout the year. Contributed securities and other goods are valued at fair market value on the date of receipt.

Donated Services

Grassroots receives professional legal services and the services of student interns in program and administrative functions. In-kind professional legal services were valued at fair market value and totaled \$6,288 in the 2017 Statement of Activities. Because the nature of the intern services received neither creates or enhances non-financial assets nor requires specialized skills, their value has not been recorded in the accompanying financial statements.

Investments and Investment Income

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Net investment income consists of interest, dividends, realized and unrealized gains and losses less external and direct internal investment expenses. Investment income and gains restricted by a donor, if any, are reported as increases in net assets without donor restrictions if the restrictions are met (either by the passage of time or by use) in the reporting period in which the income and gains are recognized.

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GRASSROOTS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017 AND 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued):

Investment Fair Values

Investments measured at fair value are classified and disclosed in one of the following categories:

Level I: Quoted prices are available in active markets for identical investments as of the reporting date.

Level II: Pricing inputs are other than quoted prices in active markets of comparable investments, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level III: Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment.

All Grassroots marketable security investments include listed equity or debt instruments which are publicly traded, and whose fair value is therefore classified and disclosed as Level I. These investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Investment income, primarily interest and dividends, is recorded when earned and considered available for unrestricted use unless otherwise restricted by the donor. Purchases and sales of securities are reflected on a trade-date basis. Realized and unrealized gains and losses are determined on the basis of specific identification.

Fixed and Other Assets

Property and equipment acquisitions are recorded at cost. Purchases of property and equipment in excess of \$1,000 are capitalized. Donated fixed assets are recorded at fair market value at the date of gift. Grassroots provides for depreciation of its office equipment using the straight-line method over the estimated useful lives of three and five years. Depreciation of leasehold improvements is provided using the straight-line method over an estimated useful life of thirty-nine years. Maintenance and repairs are charged to expense in the period incurred. The cost and accumulated depreciation of assets retired or sold are removed from the balance sheet and any gain or loss is credited or charged to income.

Trademark costs and the related legal expenses associated with reserving the name "*Grassroots International*" are recorded at cost and are amortized using the straight-line method over 15 years.

Management periodically evaluates whether events or circumstances have occurred indicating the carrying value of long-lived assets may not be recovered.

Advertising

Grassroots expenses advertising costs as incurred.

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GRASSROOTS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017 AND 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued):

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status and Uncertainty of Income Taxes

Grassroots is a nonprofit organization exempt from federal income taxes (not a private foundation) under section 501(c)(3) of the Internal Revenue Code. Management has evaluated its tax positions applying a “more likely than not” standard, and believes there are no material uncertainties in income taxes. Grassroots information tax returns are subject to examination by the Internal Revenue Service and the Massachusetts Division of Public Charities, generally for three (3) years after they were filed.

Recent Accounting Guidance

During the year ended October 31, 2017, Grassroots implemented ASU 2016-4, *Financial Statements of Non-Profit Entities*. Accordingly, the beginning balances of the donor restricted net assets categories (temporarily restricted net assets only) have been retroactively adjusted to consolidate all donor restricted net assets into one classification, *with donor restrictions*. The ASU requires additional disclosures in the areas of liquidity and endowment funds, modifies the direct method presentation of the Statement of Cash Flows, and requires reclassification of investment expenses which are netted in investment income to also include internal investment expenses. In addition, it requires any underwater portion of endowment funds to be adjusted from net assets without donor restrictions to net assets with donor restrictions. Grassroots has no underwater endowment funds.

2. INVESTMENTS AND INVESTMENT INCOME

Fair value measurement was determined using Level I inputs and investments consist of the following:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
October 31, 2017:				
Fixed income mutual funds	\$ 366,307	\$ -	\$592	\$ 365,715
Equity mutual funds	709,875	40,584	-	750,459
Common stocks	230,369	6,050	-	236,419
Real estate investment trusts	11,515	-	246	11,269
	<u>\$1,318,066</u>	<u>\$46,634</u>	<u>\$838</u>	<u>\$1,363,862</u>
October 31, 2016:				
Fixed income mutual funds	\$611,068	\$10,997	\$ 1,441	\$620,624
Equity mutual funds	98,079	-	2,055	96,024
Common stocks	195,059	19,341	7,917	206,483
	<u>\$904,206</u>	<u>\$30,338</u>	<u>\$11,413</u>	<u>\$923,131</u>

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GRASSROOTS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017 AND 2016

2. INVESTMENTS AND INVESTMENT INCOME (continued)

Net investment income is comprised of the following for the years ended October 31:

	2017	2016
Interest and dividend income	\$ 40,858	\$28,683
Unrealized gain in market value of investments	24,445	18,344
Realized gain on sale of investments	53,482	12,127
	<u>118,785</u>	<u>59,154</u>
Less investment expenses	(15,119)	(7,476)
	<u>\$103,666</u>	<u>\$51,678</u>

3. FIXED AND OTHER ASSETS

Fixed assets consist of the following at October 31:

	2017	2016
Office furniture and equipment	\$18,582	\$29,421
Leasehold improvements	46,331	46,331
	<u>64,912</u>	<u>75,752</u>
Less accumulated depreciation	(34,680)	(42,686)
	<u>\$30,232</u>	<u>\$33,066</u>

Depreciation expense was \$4,516 and \$4,069 for 2017 and 2016, respectively.

Other (intangible) assets consist of the following at October 31:

	2017	2016
Trademark costs	\$10,907	\$7,735
Less accumulated amortization	(4,132)	(3,418)
	<u>\$ 6,775</u>	<u>\$4,317</u>

Amortization expense was \$714 for 2017 and 2016.

4. LEASE COMMITMENT

Grassroots leases its business premises under a five-year lease agreement expiring February 28, 2022. Current monthly fixed rent under this agreement is \$3,614 per month and increases 1% per year (on March 1) throughout the lease term. Grassroots is also responsible for an annual operating cost escalator.

Grassroots sublet a portion of its premises to an outside party under a tenant-at-will agreement. Monthly rental income under this agreement was \$400 through October 31, 2017. The tenant was responsible for its share of taxes and common area costs. Grassroots held a \$600 security deposit at October 31, 2017. Subsequent to October 31, 2017, this agreement ended and the tenant vacated the space.

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GRASSROOTS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017 AND 2016

4. LEASE COMMITMENT (continued)

The annual future minimum lease commitment over each of the five years of the lease is as follows:

March 1, 20XX – February 28, 20XX	Yearly Rental Commitment
2017-2018	\$43,362
2018-2019	\$43,796
2019-2020	\$44,234
2020-2021	\$44,676
2021-2022	\$45,123

Rent expense was \$40,038 and \$38,556 for 2017 and 2016, respectively, and is reflected in the accompanying financial statements net of related income from the sublease.

5. DEFINED CONTRIBUTION PLAN

Grassroots maintains a 401(k) retirement plan for eligible employees. Eligible employees may receive discretionary employer contributions each year. Grassroots' made 4% discretionary contributions totaling \$28,701 and \$26,985, in 2017 and 2016, respectively.

6. FINANCIAL INSTRUMENTS AND CREDIT RISK

Grassroots manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, Grassroots has not experienced losses in any of these accounts. Credit risk associated with grants receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from individual donors, foundations and businesses supportive of Grassroots' mission. Investments are made by diversified investment managers whose performance is monitored by management and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the investment committee believe the investment policies and guidelines are prudent for the long-term welfare of Grassroots.

7. GRANTS PAYABLE

Grants authorized but unpaid at year-end are expected to be disbursed in the current fiscal year.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at October 31, 2017 and 2016:

	2017	2016
Humanitarian/social justice program support	\$482,810	\$393,496

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GRASSROOTS INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

OCTOBER 31, 2017 AND 2016

9. BOARD-DESIGNATED NET ASSETS WITHOUT DONOR RESTRICTIONS

25th Anniversary Fund

The Board of Directors designated the net revenues from the 25th Anniversary fundraising campaign (approximately \$576,000) be used to offset unrestricted net operating losses and to subsidize the implementation of Grassroots' Strategic Plan. At October 31, 2017, the balance in the 25th Anniversary Board-designated net assets was \$341,864.

Minimum Operating Reserve Activity

The Board has designated \$400,000 (approximately three (3) months operating expense) of net assets without donor restrictions as a Minimum Operating Reserve ("MOR") which cannot be spent without Board approval. The MOR balance is reconsidered annually in October. Expenditure of principal is restricted to times when net assets without donor restrictions (net of Board-designated net assets) have fallen below a trigger level of \$100,000, and expenditure of investment income is not currently subject to restriction.

MOR activity for the year ended October 31, 2017, is as follows:

MOR net assets, beginning of year	\$350,000
Investment designation	50,000
Investment income	-
Appropriations	-
MOR net assets, end of year	<u>\$400,000</u>

MOR Investment Policy

Grassroots has adopted a conservation of principal approach with a primary investment objective of fixed income investments to generate current income and a secondary investment objective of conservative growth.

Strategies Employed for Achieving Objectives

Grassroots has determined that a preservation of capital objective is most appropriate. This objective is designed to preserve the real value of its assets and to maintain spending in real terms. The Board cannot pay out more, on average over time, than the average real return it earns from its investment portfolio. The Board expects to achieve the return and risk characteristics consistent with the following allocation for its long-term reserves:

Cash and money market funds	5%
Equity securities	35%
Fixed income securities	60%

Grassroots manages its MOR consistent with the Massachusetts Uniform Prudent Management of Institutional Funds Act ("UPMIFA").

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GRASSROOTS INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017 AND 2016

10. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Statement of Financial Position date, comprise the following:

Cash and cash equivalents	\$255,515
Operating investments	<u>621,998</u>
	<u><u>\$877,513</u></u>

MOR and 25th Anniversary Fund assets are subject to Board spending restrictions and excluded in the table above, however, these amounts could be made available if necessary.

11. FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, benefits and payroll taxes which are allocated on the basis of time and effort. Occupancy, depreciation and telephone expenses are allocated on the basis of salaries allocation.