

Friends of Kenyan Orphans
Financial Statements
December 31, 2020 and 2019



Friends of Kenyan Orphans

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December 31, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors
Friends of Kenyan Orphans
Grosse Pointe Park, MI

Report on the Financial Statements

We have audited the accompanying financial statements of Friends of Kenyan Orphans, which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows 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 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 Friends of Kenyan Orphans as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Friends of Kenyan Orphans, as of and for the year ended December 31, 2019, were audited by other auditors, whose report, dated August 12, 2020, expressed an unmodified opinion on those statements.

Handwritten signature in black ink that reads "RKL LLP". The letters are cursive and somewhat stylized.

June 14, 2021
Wyomissing, Pennsylvania

Friends of Kenyan Orphans

Statement of Financial Position

	December 31,	
	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 243,642	\$ 318,656
Receivables	57	5,000
Prepaid expenses	2,692	3,758
Total Current Assets	246,391	327,414
Investments, at Fair Value	483,558	424,857
Total Assets	\$ 729,949	\$ 752,271
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 2,518	\$ 364
Accrued expenses	1,476	1,571
Grants payable	-	30,000
Total Liabilities	3,994	31,935
Net Assets		
Without donor restrictions	705,722	659,226
With donor restrictions	20,233	61,110
Total Net Assets	725,955	720,336
Total Liabilities and Net Assets	\$ 729,949	\$ 752,271

Friends of Kenyan Orphans

Statement of Activities and Changes in Net Assets

	Year Ended December 31, 2020			Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions	\$ 318,800	\$ 39,413	\$ 358,213	\$ 340,073	\$ 5,849	\$ 345,922
Investment income	39,436	-	39,436	83,188	-	83,188
Net assets released from restrictions	80,290	(80,290)	-	21,136	(21,136)	-
Total Support and Revenue	438,526	(40,877)	397,649	444,397	(15,287)	429,110
Expenses						
Program services	347,672	-	347,672	382,775	-	382,775
Supporting programs						
Management and general	24,124	-	24,124	16,932	-	16,932
Fundraising	20,234	-	20,234	19,423	-	19,423
Total Expenses	392,030	-	392,030	419,130	-	419,130
Changes in Net Assets	46,496	(40,877)	5,619	25,267	(15,287)	9,980
Net Assets at Beginning of Year	659,226	61,110	720,336	633,959	76,397	710,356
Net Assets at End of Year	\$ 705,722	\$ 20,233	\$ 725,955	\$ 659,226	\$ 61,110	\$ 720,336

See accompanying notes.

Friends of Kenyan Orphans

Statement of Functional Expenses

	Year Ended December 31, 2020				Year Ended December 31, 2019			
	Program Services	Supporting Services			Program Services	Supporting Services		
		Management and General	Fundraising	Total		Management and General	Fundraising	Total
Direct aid	\$ 330,221	\$ -	\$ -	\$ 330,221	\$ 346,973	\$ -	\$ -	\$ 346,973
Professional fees/contracted services	9,765	20,619	7,884	38,268	20,637	10,318	10,319	41,274
Printing and copying	6,066	123	6,410	12,599	4,083	4,207	4,083	12,373
Office expenses	1,200	472	3,208	4,880	1,724	1,149	2,873	5,746
Bank fees	46	1,151	1,244	2,441	654	673	654	1,981
Insurance	-	1,759	-	1,759	569	585	569	1,723
Fundraising	-	-	1,098	1,098	-	-	925	925
Travel and meetings	374	-	390	764	8,135	-	-	8,135
Total Functional Expenses	\$ 347,672	\$ 24,124	\$ 20,234	\$ 392,030	\$ 382,775	\$ 16,932	\$ 19,423	\$ 419,130

Friends of Kenyan Orphans

Statement of Cash Flows

	Years Ended December 31,	
	2020	2019
Cash Flows from Operating Activities		
Changes in net assets	\$ 5,619	\$ 9,980
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Realized and unrealized gain on investments	(32,747)	(74,900)
(Increase) decrease in assets		
Accounts receivable	4,943	5,000
Prepaid expenses	1,066	(2,759)
Increase (decrease) in liabilities		
Accounts payable	2,154	(901)
Accrued expenses	(95)	29,721
Grants payable	(30,000)	-
Net Cash Used in Operating Activities	(49,060)	(33,859)
Cash Flows from Investing Activities		
Proceeds from sale of investments	464,589	21,176
Purchases of investments	(490,543)	(26,953)
Net Cash Used in Investing Activities	(25,954)	(5,777)
Net Decrease in Cash and Cash Equivalents	(75,014)	(39,636)
Cash and Cash Equivalents at Beginning of Year	318,656	358,292
Cash and Cash Equivalents at End of Year	\$ 243,642	\$ 318,656

Friends of Kenyan Orphans

Notes to Financial Statements

December 31, 2020 and 2019

Note 1 - Nature of Operations

Friends of Kenyan Orphans (the Organization) is a Michigan not-for-profit corporation, which was formed for the purpose of enhancing the quality of life of orphans in Kenya by raising and granting funds to grass root organizations in Kenya, which provide the basic human rights of food, clothing, shelter, and education in a safe and caring environment.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis, revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The Organization's financial statement presentation follows the reporting provisions applicable to not-for-profit entities. Under these provisions, the Organization is required to report information regarding its financial position and activities according to two classes of assets: net assets without donor restrictions and net assets with donor restrictions. Net assets are classified as follows:

Net assets without donor restrictions - Net assets that are not subject to donor restrictions.

Net assets with donor restrictions - Some donor 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 that resources be maintained in perpetuity. Donor 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 accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers checking, saving, and bank clearing accounts to be cash and cash equivalents.

Note 2 - Summary of Significant Accounting Policies (continued)

Concentration of Credit Risk

Financial instruments which potentially subject the Organization to a concentration of credit risk consist principally of cash. The Organization's cash balances in financial institutions may at times exceed the federally insured limit of \$250,000. The Organization has not experienced any losses, and believes it has limited exposure to significant credit risk. Management regularly monitors the financial institutions, along with its cash balances, in an effort to keep potential risk to a minimum.

Investments

Investments in equity securities with readily determinable fair values and all debt securities are measured at fair value in the statement of financial position. Cash and cash equivalents (money market funds) are carried at cost, which approximates fair value. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the determination of changes in net assets without donor restrictions, unless the income or loss is restricted by donor or law. Restricted investment income is reported as an increase in net assets with donor restrictions depending on the type of restriction.

Grants Payable

Grants payable represent amounts approved and promised to St. Charles Lwanga Kiwanjani Catholic Mission for the construction of classrooms that would benefit local orphans, and are expected to be paid during the next fiscal year.

Revenue Recognition

Contributions

The Organization recognizes contributions when cash, securities or other assets, an unconditional promises to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

All contributions are considered to be available for operations, unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as support with donor restrictions that increases that net asset class. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as without donor restrictions.

Tax-Exempt Status

The Organization is exempt from federal income taxes under the Internal Revenue Code, Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization, including whether the Organization is exempt from income taxes. Management evaluated the tax positions taken and concluded that the Organization had no uncertain tax positions that require recognition or disclosure in the financial statements. Therefore, no provision or liability for income taxes have been included in the financial statements. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. Federal, state, or local tax authorities for years before December 31, 2017.

Note 2 - Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The cost of providing the Organization's programs and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Supporting services consist of management and general and fundraising expenses. Expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include printing and copying, office expenses, travel and meetings, and bank fees, which are allocated on the basis of estimates of usage, as well as professional fees/contracted services, which are allocated on the basis of estimates of time and effort.

Advertising

The Organization expenses advertising as incurred. For the years ended December 31, 2020 and 2019, the Organization incurred advertising costs of \$1,098 and \$925, respectively.

Donated Services

Volunteers have donated significant amounts of time to the Organization's program services. These services do not meet the criteria for recognition as contributed services, and are not reflected on the accompanying financial statements.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, as subsequently amended. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases, based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. The new standard will be effective for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurements (Topic 820)*. The amendments in this ASU removes, modifies, and adds certain disclosure requirements of Accounting Standards Codification Topic 820. The Fund implemented this standard during the year ended December 31, 2020. The Organization has determined that the adoption of ASU 2018-13 did not have a material effect on the 2020 financial statements.

Friends of Kenyan Orphans

Notes to Financial Statements

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Note 3 - Liquidity and Availability

Financial assets available for general expenditures, that is, without donor restrictions or other designations limiting their use, within one year of the date of the statement of financial position, comprise the following as of December 31:

	<u>2020</u>	<u>2019</u>
Financial Assets		
Cash and cash equivalents	\$ 243,642	\$ 318,656
Receivables	57	5,000
Investments	<u>483,558</u>	<u>424,857</u>
Total Financial Assets	727,257	748,513
Less Amounts that are Internally Designated or Externally Restricted		
Cash and cash equivalents subject to donor restrictions	<u>(20,233)</u>	<u>(61,110)</u>
Financial Assets Available to be Used within One Year	<u>\$ 707,024</u>	<u>\$ 687,403</u>

The Organization manages its liquidity by managing its working capital. It has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Note 4 - Investments

Investments are stated at fair value. The following is a summary of the Organization's investments at December 31:

	<u>2020</u>	<u>2019</u>
Mutual fund, equity funds	\$ 294,402	\$ 18,303
Exchange traded funds	148,334	-
Mutual fund, bond funds	35,183	111,204
Money market funds	5,639	-
Common stock	-	287,089
Real estate investment trust	-	5,285
Master limited partnership	-	2,976
	<u>\$ 483,558</u>	<u>\$ 424,857</u>

Friends of Kenyan Orphans

Notes to Financial Statements

December 31, 2020 and 2019

Note 4 - Investments (continued)

The following schedules summarize the investment return and its classification in the statement of activities and changes in net assets for the years ended December 31:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
2020			
Dividends and interest, net	\$ 6,689	\$ -	\$ 6,689
Realized/unrealized gains	<u>32,747</u>	<u>-</u>	<u>32,747</u>
	<u>\$ 39,436</u>	<u>\$ -</u>	<u>\$ 39,436</u>
2019			
Dividends and interest, net	\$ 8,288	\$ -	\$ 8,288
Realized/unrealized gains	<u>74,900</u>	<u>-</u>	<u>74,900</u>
	<u>\$ 83,188</u>	<u>\$ -</u>	<u>\$ 83,188</u>

Note 5 - Fair Value of Financial Instruments

The Organization defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement. Fair value is a market-based measurement, not an entity-specific measurement, and the Organization sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Fair value measurements are disclosed by level within that hierarchy.

Assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to fair value measurement. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

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Notes to Financial Statements

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Note 5 - Fair Value of Financial Instruments (continued)

The tables below present the balances of assets measured at fair value on a recurring basis by level within the fair value hierarchy as of December 31:

Fair Value Measurements at December 31, 2020				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual Funds, Equity				
Large growth	\$ 168,333	\$ -	\$ -	\$ 168,333
Foreign large growth	56,918	-	-	56,918
Mid value	35,888	-	-	35,888
Small blend	33,263	-	-	33,263
Mutual Funds, Bond				
Small value	35,183	-	-	35,183
Exchange Trade Fund				
U.S. Fund Large Value	76,905	-	-	76,905
U.S. Fund Long Government	71,429	-	-	71,429
Money Markets	5,639	-	-	5,639
	\$ 483,558	\$ -	\$ -	\$ 483,558
Fair Value Measurements at December 31, 2019				
Mutual Funds, Bond				
Small value	\$ 34,385	\$ -	\$ -	\$ 34,385
Intermediate	52,341	-	-	52,341
Inflation protected	24,477	-	-	24,477
International	13,923	-	-	13,923
Exchange Trade Fund				
U.S. Fund Diversified	4,381	-	-	4,381
Common Stock				
Consumer	80,732	-	-	80,732
Financial	64,552	-	-	64,552
Communications	40,486	-	-	40,486
Information technology	39,077	-	-	39,077
Industrial	28,185	-	-	28,185
Healthcare	24,270	-	-	24,270
Materials	9,787	-	-	9,787
Master Limited Partnership				
	2,976	-	-	2,976
Real Estate Investment Trust				
	5,285	-	-	5,285
	\$ 424,857	\$ -	\$ -	\$ 424,857

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Notes to Financial Statements

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Note 5 - Fair Value of Financial Instruments (continued)

The following information should not be interpreted as an estimate of the fair value of the Organization since a fair value calculation is only provided for a limited portion of the Organization's assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Organization's disclosures and those of other organizations may not be meaningful. The following methods and assumptions were used to estimate the fair values of the Organization's financial instruments:

The carrying amounts of cash and cash equivalents, receivables, accounts payable, and current portion of long-term debt approximate fair value because of the short maturity of these instruments.

Equities, Mutual Funds, and Exchange Traded Funds: Valued at the market value of shares held by the Organization at year-end.

Liquid Alternatives (Master Limited Partnership and Real Estate Investment Trust): Valued at the market value of shares held by the Organization at year-end.

Common Stock: Valued at the market value of shares held by the Organization at year-end.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. For the years ended December 31, 2020 and 2019, there were no transfers between fair value levels.

Note 6 - Related Party Transactions

The Organization made purchases from a company owned by a board member during the years ended December 31, 2020 and 2019 that totaled \$11,483 and \$10,721, respectively, and received in-kind web hosting services of \$500 for both years.

Note 7 - Net Assets With Donor Restrictions

The Organization's net assets with donor restrictions are restricted for the following purposes as of December 31:

	<u>2020</u>	<u>2019</u>
Higher education options	\$ 13,484	\$ 33,442
Sponsorships	6,749	22,668
St. Philomena Home for Hope	-	5,000
	<u>\$ 20,233</u>	<u>\$ 61,110</u>

Friends of Kenyan Orphans

Notes to Financial Statements

December 31, 2020 and 2019

Note 8 - In-Kind Contributions

The Organization receives in-kind professional services recorded at fair value when performed. For both years ended December 31, 2020 and 2019, the value of the services was approximately \$6,300.

Note 9 - Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economy, financial markets, public support, and the geographical area in which the Organization operates. It is unknown how long these conditions will last and what the complete financial effect will be to the Organization.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

Note 10 - Reclassifications

Certain information in the 2019 financial statements and related footnotes contain reclassifications necessary to make that information comparable to information presented in the 2020 financial statements.

Note 11 - Subsequent Events

The Organization has evaluated subsequent events through June 14, 2021. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2020 were noted.