Friends of Kenyan Orphans

Financial Statements

December 31, 2021 and 2020

Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Friends of Kenyan Orphans (the Organization), which comprise the statement of financial position as of December 31, 2021 and 2020, the related statements of activities and changes in net assets, functional expenses - by natural classification, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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Auditor's 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 auditor's 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 GAAS 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 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 GAAS, 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 the Organization'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 the Organization'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.

RKL LLP

July 19, 2022
Wyomissing, Pennsylvania

Friends of Kenyan Orphans

Statement of Financial Position

	December 31, 2021	December 31, 2020
Assets		
Current Assets		
Cash and cash equivalents	**$ 262,084**	$ 243,642
Receivables	**-**	57
Prepaid expenses	**1,625**	2,692
Total Current Assets	**263,709**	246,391
Investments, at Fair Value	**537,041**	483,558
Total Assets	**$ 800,750**	$ 729,949
Liabilities and Net Assets		
Liabilities		
Accounts payable	**$ 1,028**	$ 2,518
Accrued expenses	**2,130**	1,476
Total Liabilities	**3,158**	3,994
Net Assets		
Without donor restrictions	**734,059**	705,722
With donor restrictions	**63,533**	20,233
Total Net Assets	**797,592**	725,955
Total Liabilities and Net Assets	**$ 800,750**	$ 729,949

See accompanying notes.

Friends of Kenyan Orphans

Statement of Activities and Changes in Net Assets

	Year Ended December 31, 2021			Year Ended December 31, 2020		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Support and Revenue						
Contributions	**$ 357,201**	**$ 76,345**	**$ 433,546**	$ 318,800	$ 39,413	$ 358,213
Investment income	**49,576**	**-**	**49,576**	39,436	-	39,436
Net assets released from restrictions	**33,045**	**(33,045)**	**-**	80,290	(80,290)	-
Total Support and Revenue	**439,822**	**43,300**	**483,122**	438,526	(40,877)	397,649
Expenses						
Program services	**353,730**	**-**	**353,730**	347,672	-	347,672
Supporting programs						
Management and general	**25,683**	**-**	**25,683**	24,124	-	24,124
Fundraising	**32,072**	**-**	**32,072**	20,234	-	20,234
Total Expenses	**411,485**	**-**	**411,485**	392,030	-	392,030
Changes in Net Assets	**28,337**	**43,300**	**71,637**	46,496	(40,877)	5,619
Net Assets at Beginning of Year	**705,722**	**20,233**	**725,955**	659,226	61,110	720,336
Net Assets at End of Year	**$ 734,059**	**$ 63,533**	**$ 797,592**	$ 705,722	$ 20,233	$ 725,955

See accompanying notes.

Friends of Kenyan Orphans

Statement of Functional Expenses - by Natural Classification

	Year Ended December 31, 2021				Year Ended December 31, 2020			
		Supporting Services				Supporting Services		
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Direct aid	**$ 329,921**	**$ -**	**$ -**	**$ 329,921**	$ 330,221	$ -	$ -	$ 330,221
Professional fees/contracted services	**8,101**	**22,126**	**11,777**	**42,004**	9,765	20,619	7,884	38,268
Printing and copying	**9,703**	**-**	**9,703**	**19,406**	6,066	123	6,410	12,599
Office expenses	**1,246**	**398**	**3,142**	**4,786**	1,200	472	3,208	4,880
Bank fees	**56**	**1,345**	**1,452**	**2,853**	46	1,151	1,244	2,441
Insurance	**-**	**1,814**	**-**	**1,814**	-	1,759	-	1,759
Fundraising	**-**	**-**	**1,104**	**1,104**	-	-	1,098	1,098
Travel and meetings	**4,703**	**-**	**4,894**	**9,597**	374	-	390	764
Total Functional Expenses - by Natural Classification	**$ 353,730**	**$ 25,683**	**$ 32,072**	**$ 411,485**	$ 347,672	$ 24,124	$ 20,234	$ 392,030

Friends of Kenyan Orphans

Statement of Cash Flows

	Years Ended December 31, 2021	2020
Cash Flows from Operating Activities		
Changes in net assets	**$ 71,637**	$ 5,619
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Realized and unrealized gain on investments	**(27,396)**	(32,747)
(Increase) decrease in assets		
Accounts receivable	**57**	4,943
Prepaid expenses	**1,067**	1,066
Increase (decrease) in liabilities		
Accounts payable	**(1,490)**	2,154
Accrued expenses	**654**	(95)
Grants payable	**-**	(30,000)
Net Cash Provided by (Used in) Operating Activities	**44,529**	(49,060)
Cash Flows from Investing Activities		
Proceeds from sale of investments	**75,875**	464,589
Purchases of investments	**(101,962)**	(490,543)
Net Cash Used in Investing Activities	**(26,087)**	(25,954)
Net Increase (Decrease) in Cash and Cash Equivalents	**18,442**	(75,014)
Cash and Cash Equivalents at Beginning of Year	**243,642**	318,656
Cash and Cash Equivalents at End of Year	**$ 262,084**	$ 243,642

See accompanying notes.

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.

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, 2018.

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 - by natural classification. 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, 2021 and 2020, the Organization incurred advertising costs of $1,104 and $1,098, 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 September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which will require not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Also, this ASU will require disclosure of a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets, as well as additional information around valuation and usage of the contributed nonfinancial assets. The amendments in this standard should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022.

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:

	2021	2020
Financial Assets		
Cash and cash equivalents	**$ 262,084**	$ 243,642
Receivables	**-**	57
Investments	**537,041**	483,558
Total Financial Assets	**799,125**	727,257
Less Amounts that are Internally Designated or Externally Restricted		
Cash and cash equivalents subject to donor restrictions	**(63,533)**	(20,233)
Financial Assets Available to be Used within One Year	**$ 735,592**	$ 707,024

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:

	2021	2020
Mutual fund, equity funds	**$ 324,174**	$ 294,402
Exchange traded funds	**171,581**	148,334
Mutual fund, bond funds	**35,556**	35,183
Money market funds	**5,730**	5,639
	$ 537,041	$ 483,558

Note 4 - Investments (continued)

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

2021	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Dividends and interest, net	**$ 22,180**	**$ -**	**$ 22,180**
Realized/unrealized gains	**27,396**	**-**	**27,396**
	$ 49,576	**$ -**	**$ 49,576**
2020			
Dividends and interest, net	$ 6,689	$ -	$ 6,689
Realized/unrealized gains	32,747	-	32,747
	$ 39,436	$ -	$ 39,436

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.

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, 2021			
	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	$ 174,771	$ -	$ -	$ 174,771
Foreign large growth	67,389	-	-	67,389
Mid value	41,166	-	-	41,166
Small blend	40,848	-	-	40,848
Mutual Funds, Bond				
Small value	35,556	-	-	35,556
Exchange Trade Fund				
U.S. Fund Large Value	93,741	-	-	93,741
U.S. Fund Long Government	77,840	-	-	77,840
Money Markets	5,730	-	-	5,730
	$ 537,041	$ -	$ -	$ 537,041

	Fair Value Measurements at December 31, 2020			
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

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, 2021 and 2020, 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, 2021 and 2020 that totaled $19,072 and $11,483, 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:

	2021	**2020**
Higher education options	**$ 26,035**	$ 13,484
Sponsorships	**37,498**	6,749
	$ 63,533	$ 20,233

Note 8 - In-Kind Contributions

The Organization receives in-kind professional services recorded at fair value when performed. For the years ended December 31, 2021 and 2020, the value of the services was approximately $6,800 and $6,300, respectively.

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 - Subsequent Events

The Organization has evaluated subsequent events through July 19, 2022. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2021 were noted.