



Friends of Kenyan Orphans

Financial Statements

December 31, 2023 and 2022



Friends of Kenyan Orphans

Table of Contents

December 31, 2023 and 2022

	Page
INDEPENDENT AUDITOR'S REPORT	1 and 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses - by Natural Classification	5
Statement of Cash Flows	6
Notes to Financial Statements	7 to 14

Independent Auditor's Report

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

Opinion

We have audited the financial statements of Friends of Kenyan Orphans (the Organization), which comprise the statement of financial position as of December 31, 2023 and 2022, 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, 2023 and 2022, 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.

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

June 11, 2024
Wyomissing, Pennsylvania

Friends of Kenyan Orphans

Statement of Financial Position

	December 31,	
	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 101,998	\$ 126,002
Receivables	-	200
Prepaid expenses	1,137	1,108
Total Current Assets	103,135	127,310
Investments, at Fair Value	467,424	428,705
Total Assets	\$ 570,559	\$ 556,015
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 441	\$ 2,687
Accrued expenses	1,846	3,125
Total Liabilities	2,287	5,812
Net Assets		
Without donor restrictions	561,239	538,023
With donor restrictions	7,033	12,180
Total Net Assets	568,272	550,203
Total Liabilities and Net Assets	\$ 570,559	\$ 556,015

Friends of Kenyan Orphans

Statement of Activities and Changes in Net Assets

	Year Ended December 31, 2023			Year Ended December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions	\$ 375,654	\$ 43,320	\$ 418,974	\$ 451,903	\$ 19,141	\$ 471,044
Investment income (loss)	38,721	-	38,721	(109,399)	-	(109,399)
In-kind contributions	500	-	500	6,880	-	6,880
Net assets released from restrictions	48,467	(48,467)	-	70,494	(70,494)	-
Total Support and Revenue	463,342	(5,147)	458,195	419,878	(51,353)	368,525
Expenses						
Program services	388,803	-	388,803	560,210	-	560,210
Supporting programs						
Management and general	19,582	-	19,582	16,793	-	16,793
Fundraising	31,741	-	31,741	38,911	-	38,911
Total Expenses	440,126	-	440,126	615,914	-	615,914
Changes in Net Assets	23,216	(5,147)	18,069	(196,036)	(51,353)	(247,389)
Net Assets at Beginning of Year	538,023	12,180	550,203	734,059	63,533	797,592
Net Assets at End of Year	\$ 561,239	\$ 7,033	\$ 568,272	\$ 538,023	\$ 12,180	\$ 550,203

See accompanying notes.

Friends of Kenyan Orphans

Statement of Functional Expenses - by Natural Classification

	Year Ended December 31, 2023				Year Ended December 31, 2022			
	Supporting Services				Supporting Services			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Direct aid	\$ 362,370	\$ -	\$ -	\$ 362,370	\$ 530,478	\$ -	\$ -	\$ 530,478
Professional fees/contracted services	16,947	17,461	16,947	51,355	14,723	15,169	14,723	44,615
Printing and copying	6,422	403	6,422	13,247	7,258	27	7,387	14,672
Office expenses	960	792	3,702	5,454	1,066	904	3,867	5,837
Bank fees	760	273	3,623	4,656	468	58	2,929	3,455
Insurance	635	653	635	1,923	616	635	616	1,867
Advertising	-	-	-	-	-	-	1,344	1,344
Travel and meetings	709	-	412	1,121	5,601	-	8,045	13,646
Total Functional Expenses - by Natural Classification	\$ 388,803	\$ 19,582	\$ 31,741	\$ 440,126	\$ 560,210	\$ 16,793	\$ 38,911	\$ 615,914

Friends of Kenyan Orphans

Statement of Cash Flows

	Years Ended December 31,	
	2023	2022
Cash Flows from Operating Activities		
Changes in net assets	\$ 18,069	\$ (247,389)
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Realized and unrealized (gain) loss on investments	(32,128)	115,745
(Increase) decrease in assets		
Accounts receivable	200	(200)
Prepaid expenses	(29)	517
Increase (decrease) in liabilities		
Accounts payable	(2,246)	1,659
Accrued expenses	(1,279)	995
Net Cash Used in Operating Activities	(17,413)	(128,673)
Cash Flows from Investing Activities		
Proceeds from sale of investments	35,931	74,328
Purchases of investments	(42,522)	(81,737)
Net Cash Used in Investing Activities	(6,591)	(7,409)
Net Decrease in Cash and Cash Equivalents	(24,004)	(136,082)
Cash and Cash Equivalents at Beginning of Year	126,002	262,084
Cash and Cash Equivalents at End of Year	\$ 101,998	\$ 126,002

Friends of Kenyan Orphans

Notes to Financial Statements

December 31, 2023 and 2022

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, and 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.

Donated or Contributed Investments, Services, or Materials

Donated or contributed investments, services, or materials meeting the criteria for recognition, are reflected in the financial statements as in-kind contributions at their estimated value on the date of receipt. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at the fair value when received.

Note 2 - Summary of Significant Accounting Policies (continued)

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, 2020.

Functional Allocation of Expenses

The cost of providing the Organization's programs and supporting services has 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, 2023 and 2022, the Organization incurred advertising costs of \$-0- and \$1,344, 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.

Friends of Kenyan Orphans

Notes to Financial Statements

December 31, 2023 and 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:

	<u>2023</u>	<u>2022</u>
Financial Assets		
Cash and cash equivalents	\$ 101,998	\$ 126,002
Receivables	-	200
Investments	<u>467,424</u>	<u>428,705</u>
Total Financial Assets	569,422	554,907
Amounts that are Internally Designated or Externally Restricted		
Cash and cash equivalents subject to donor restrictions	<u>(7,033)</u>	<u>(12,180)</u>
Financial Assets Available to be Used within One Year	<u>\$ 562,389</u>	<u>\$ 542,727</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>2023</u>	<u>2022</u>
Mutual fund, equity funds	\$ 215,495	\$ 200,753
Exchange traded funds	210,311	193,915
Mutual fund, bond funds	33,894	27,333
Money market funds	<u>7,724</u>	<u>6,704</u>
	<u>\$ 467,424</u>	<u>\$ 428,705</u>

Friends of Kenyan Orphans

Notes to Financial Statements

December 31, 2023 and 2022

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:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
2023			
Dividends and interest, net	\$ 6,593	\$ -	\$ 6,593
Realized/unrealized gains	32,128	-	32,128
	<u>\$ 38,721</u>	<u>\$ -</u>	<u>\$ 38,721</u>
2022			
Dividends and interest, net	\$ 6,346	\$ -	\$ 6,346
Realized/unrealized losses	(115,745)	-	(115,745)
	<u>\$ (109,399)</u>	<u>\$ -</u>	<u>\$ (109,399)</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.

Friends of Kenyan Orphans

Notes to Financial Statements

December 31, 2023 and 2022

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, 2023				
	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	\$ 40,244	\$ -	\$ -	\$ 40,244
Real estate	33,465	-	-	33,465
Small blend	32,294	-	-	32,294
International	109,492	-	-	109,492
Mutual Funds, Bond				
Convertible bond	33,894	-	-	33,894
Exchange Trade Fund				
U.S. Fund Large Value	93,353	-	-	93,353
U.S. Fund Long Government	59,881	-	-	59,881
Foreign large growth	57,077	-	-	57,077
Money Markets	7,724	-	-	7,724
	<u>\$ 467,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 467,424</u>
Fair Value Measurements at December 31, 2022				
Mutual Funds, Equity				
Large growth	\$ 45,292	\$ -	\$ -	\$ 45,292
Real estate	31,210	-	-	31,210
Small blend	36,264	-	-	36,264
International	87,987	-	-	87,987
Mutual Funds, Bond				
Convertible bond	27,333	-	-	27,333
Exchange Trade Fund				
U.S. Fund Large Value	86,326	-	-	86,326
U.S. Fund Long Government	46,053	-	-	46,053
Foreign large growth	61,536	-	-	61,536
Money Markets	6,704	-	-	6,704
	<u>\$ 428,705</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 428,705</u>

Friends of Kenyan Orphans

Notes to Financial Statements

December 31, 2023 and 2022

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, money markets, receivables, accounts payable, and accrued expenses 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.

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, 2023 and 2022, 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, 2023 and 2022 that totaled \$12,004 and \$13,581, 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>2023</u>	<u>2022</u>
Higher education options	\$ 263	\$ 5,264
Sponsorships	<u>6,770</u>	<u>6,916</u>
	<u>\$ 7,033</u>	<u>\$ 12,180</u>

Friends of Kenyan Orphans

Notes to Financial Statements

December 31, 2023 and 2022

Note 8 - In-Kind Contributions

In-kind contributions meeting the requirements for recognition in the statement of activities and changes in net assets consist of the following for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Donated services	<u>\$ 500</u>	<u>\$ 6,880</u>

Donated services are comprised of tax work and website maintenance provided by a third party. Donated services are reported at the estimated fair value in the financial statements based on current valuation provided by a third party.

Additionally, during the years ended December 31, 2023 and 2022, a substantial number of individual volunteers and businesses have donated significant amounts of time to the Organization's programs, administrative, and fundraising functions. These services do not meet the criteria for recognition as contributed services and are not reflected on the accompanying financial statements.

Note 9 - Subsequent Events

The Organization has evaluated subsequent events through June 11, 2024. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2023 were noted.