FRIENDS OF KENYAN ORPHANS

AUDITED FINANCIAL STATEMENTS

Years ended December 31, 2017 and 2016

FRIENDS OF KENYAN ORPHANS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Friends of Kenyan Orphans

We have audited the accompanying financial statements of Friends of Kenyan Orphans (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

To the Board of Directors
of Friends of Kenyan Orphans
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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, 2017 and 2016, 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.

UHY LLP

Farmington Hills, Michigan
June 14, 2018

FRIENDS OF KENYAN ORPHANS
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2017	**2016**
ASSETS		
Cash	**$ 383,397**	$ 439,504
Prepaid insurance	**1,232**	-
Investments	**382,871**	326,403
Total assets	**$ 767,500**	$ 765,907
LIABILITIES		
Accounts payable	**$ 300**	**$ -**
Accrued expenses	**-**	5,646
Total liabilities	**300**	5,646
NET ASSETS		
Unrestricted	**662,794**	658,565
Temporarily restricted	**104,406**	101,696
Total net assets	**767,200**	760,261
Total liabilities and net assets	**$ 767,500**	$ 765,907

See notes to financial statements.

FRIENDS OF KENYAN ORPHANS
STATEMENTS OF ACTIVITIES

	Year ended December 31, 2017			Year ended December 31, 2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES						
Contributions	**$ 339,141**	**$ 14,516**	**$ 353,657**	$ 263,898	$ -	$ 263,898
Investment income	**7,345**	**-**	**7,345**	-	-	-
Realized gain on sale of investments	**6,461**	**-**	**6,461**	(6,643)	-	(6,643)
Other revenue	**26**	**-**	**26**	1,495	-	1,495
Net assets released from restrictions	**11,806**	**(11,806)**	**-**	96,312	(96,312)	-
Total revenues	**364,779**	**2,710**	**367,489**	355,062	(96,312)	258,750
EXPENSES						
Program	**321,189**	**-**	**321,189**	278,574	-	278,574
Management	**34,833**	**-**	**34,833**	46,660	-	46,660
Fundraising	**40,560**	**-**	**40,560**	40,083	-	40,083
Total expenses	**396,582**	**-**	**396,582**	365,317	-	365,317
OTHER CHANGES						
Unrealized gain on investments	**36,032**	**-**	**36,032**	27,911	-	27,911
CHANGE IN NET ASSETS	**4,229**	**2,710**	**6,939**	17,656	(96,312)	(78,656)
NET ASSETS, Beginning of year	**658,565**	**101,696**	**760,261**	640,909	198,008	838,917
NET ASSETS, End of year	**$ 662,794**	**$ 104,406**	**$ 767,200**	$ 658,565	$ 101,696	$ 760,261

FRIENDS OF KENYAN ORPHANS
STATEMENTS OF FUNCTIONAL EXPENSES

	Year ended December 31, 2017				Year ended December 31, 2016			
	Program	**Management**	**Fundraising**	**Total**	**Program**	**Management**	**Fundraising**	**Total**
Salaries and employee expense	**$ 16,600**	**$ 16,600**	**$ 16,600**	**$ 49,800**	$ 15,326	$ 15,326	$ 15,326	$ 45,978
Direct aid	**287,193**	**-**	**-**	**287,193**	239,900	-	-	239,900
Professional fees	**7,317**	**14,700**	**6,559**	**28,576**	12,932	25,978	11,591	50,501
Insurance	**-**	**962**	**-**	**962**	-	2,277	-	2,277
Depreciation	**-**	**-**	**-**	**-**	3,167	-	-	3,167
Office expense	**1,395**	**547**	**3,919**	**5,861**	1,791	702	5,030	7,523
Travel and meetings	**4,872**	**-**	**5,055**	**9,927**	1,410	-	1,463	2,873
Fundraising	**-**	**-**	**2,379**	**2,379**	-	-	-	-
Bank fees	**92**	**2,024**	**2,327**	**4,443**	108	2,377	2,733	5,218
Printing and copying	**3,720**	**-**	**3,721**	**7,441**	3,940	-	3,940	7,880
	$ 321,189	**$ 34,833**	**$ 40,560**	**$ 396,582**	$ 278,574	$ 46,660	$ 40,083	$ 365,317

FRIENDS OF KENYAN ORPHANS
STATEMENTS OF CASH FLOWS

	Years ended December 31, 2017	2016
OPERATING ACTIVITIES		
Change in net assets	**$ 6,939**	$ (78,656)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	**-**	3,167
Non-cash contributions of stock	**(6,875)**	(16,971)
Net realized and unrealized gains on investments	**(42,493)**	(21,268)
Change in operating assets and liabilities:		
Prepaid insurance	**(1,232)**	-
Accounts payable	**300**	-
Accrued expenses	**(5,646)**	(4,393)
Net cash (used in) operating activities	**(49,007)**	(118,121)
INVESTING ACTIVITIES		
Proceeds from sale of investments	**39,068**	39,034
Purchase of investments	**(46,168)**	(40,650)
Proceeds from sale of equipment	**-**	12,033
Purchase of equipment	**-**	(15,200)
Net cash (used in) investing activities	**(7,100)**	(4,783)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(56,107)**	(122,904)
CASH AND CASH EQUIVALENTS, Beginning	**439,504**	562,408
CASH AND CASH EQUIVALENTS, Ending	**$ 383,397**	$ 439,504
NON-CASH ACTIVITY		
Contribution of stock	**$ 6,875**	$ 16,971
In-kind contributions	**$ 8,300**	$ 9,382

FRIENDS OF KENYAN ORPHANS
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of certain accounting policies followed in the preparation of these financial statements. The policies conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements.

Nature of Organization

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.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, prepaids, payables, and other liabilities.

Basis of Presentation

The Organization follows accounting standards set by the Financial Accounting Standards Board (FASB). The FASB sets GAAP that the Organization follows to ensure they consistently report their financial condition, results of operations and cash flows. References to GAAP issued by the FASB in the following footnotes are the *FASB Accounting Standards Codification (ASC).*

Financial statement presentation follows the recommendations of the ASC topic Presentation of Financial Statements for Not-for-Profit Entities. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. See Note 4 for information regarding the classification of Organization's net assets

Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

Concentration of Credit Risk

The Organization from time to time during the year covered by these financial statements may have bank balances in excess of its insured limits. Management has deemed this as a normal business risk.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Securities

The Organization records its investments in marketable equity securities in accordance with ASC-topic Not-for-Profit Entities Investments. Accordingly, investments in marketable securities with readily determinable fair values are valued at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the Statements of Activities and Changes in Net Assets.

Classification of Net Assets

Unrestricted net assets are not restricted by the funding source or grantor, or the fund source requirements, or donor-imposed restrictions that have expired. Unrestricted net assets include board designated net assets. Temporarily restricted net assets contain funding source or donor-imposed restrictions that permit spending as specified. The restrictions are satisfied either by the passage of time or the actions of the Organization. Permanently restricted net assets are required by donors to be held in perpetuity by the Organization. There were no permanently restricted net assets held by the Organization at December 31, 2017 and 2016, respectively.

Revenue Recognition

Contributions

Contributions are generally recorded as unrestricted revenue, unless specifically restricted by the donor. Contributions that are restricted by contributors are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets.

Income Tax Status

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for charitable contribution deductions under IRS Section 170(b)(1)(A)(vi) and has been classified as a public charity under Section 509(a)(1). Accordingly, the Organization has never paid income taxes and does not anticipate being required to pay income taxes in the future.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status (Continued)

ASC guidance regarding accounting for uncertainty in income taxes clarifies the accounting for income taxes by prescribing the minimum recognition threshold an income tax position is required to meet before being recognized in the financial statements and applies to all income tax positions. Each income tax position is assessed using a two step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement. At December 31, 2017 and 2016, there were no uncertain tax positions that required accrual.

Functional Expenses

The Organization allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated on various statistical bases. Although the methods used are considered reasonable, other methods could be used that would produce different results.

Reclassifications

Certain 2016 amounts have been reclassified to conform to 2017 presentations. The reclassifications had no effect on net assets.

Subsequent Events

The Organization has performed a review of events subsequent to the Statements of Financial Position date through June 14, 2018, the date the financial statements were available to be issued.

FRIENDS OF KENYAN ORPHANS
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 2 – INVESTMENTS

Fair values and unrealized gains (losses) are summarized as follows:

	December 31, 2017		
	Cost	Fair Value	Unrealized Gain (Loss)
Money market funds	$ 15,776	$ 15,776	$ -
Common stock	176,845	238,460	61,615
Equity funds	16,631	18,675	2,044
Diversified bond funds	100,758	100,013	(745)
MLP	3,817	3,777	(40)
REIT	4,982	6,170	1,188
	$ 318,809	$ 382,871	$ 64,062

	December 31, 2016		
	Cost	Fair Value	Unrealized Gain (Loss)
Money market funds	$ 11,371	$ 11,371	$ -
Common stock	167,905	198,924	31,019
Equity funds	22,950	21,917	(1,033)
Bond funds	85,670	84,515	(1,155)
MLP	4,202	4,410	208
REIT	4,982	5,266	284
	$ 297,080	$ 326,403	$ 29,323

NOTE 3 – FAIR VALUE MEASUREMENTS

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

The three levels of the fair value hierarchy under ASC topic *Fair Value Measurements* are described as follows:

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

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specific (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Money Market Funds: Valued at net asset value of the underlying investments.

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

Equities and Corporate Bond Funds: Valued at the market value of shares held by the Organization at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value or certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value:

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market	$ -	$ 15,776	$ -	$ 15,776
Common stock	238,460	-	-	238,460
Equity funds	18,675	-	-	18,675
Bond funds	100,013	-	-	100,013
MLP	6,170	-	-	6,170
REIT	3,777	-	-	3,777
Total	$ 367,095	$ 15,776	$ -	$ 382,871

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market	$ -	$ 11,371	$ -	$ 11,371
Common stock	198,924	-	-	198,924
Equity funds	21,917	-	-	21,917
Bond funds	84,515	-	-	84,515
MLP	4,410			4,410
REIT	5,266	-	-	5,266
Total	$ 315,032	$ 11,371	$ -	$ 326,403

NOTE 4 – RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	December 31, 2017	December 31, 2016
Library	$ 250	$ -
Higher Education Options	74,763	69,346
Siena Heights University	16,180	26,949
Chestnut Hill College	4,363	5,401
Sponsorship	8,850	-
	$ 104,406	$ 101,696

As of December 31, 2017 and 2016, no permanently restricted net assets were held by the Organization.

NOTE 5 – IN-KIND CONTRIBUTIONS

The Organization receives in-kind professional services recorded at fair value when performed. For the years ended December 31, 2017 and 2016, the value of the services was approximately $8,300 and $9,382, respectively.

NOTE 6 – RELATED PARTY TRANSACTIONS

The Organization made purchases from a company owned by a board member during the year ended December 31, 2017 and 2016 that totaled $7,955 and $5,830, respectively.