FRIENDS OF KENYAN ORPHANS

AUDITED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

FRIENDS OF KENYAN ORPHANS

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Friends of Kenyan Orphans (a Michigan nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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.

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, 2018 and 2017, 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
October 2, 2019

FRIENDS OF KENYAN ORPHANS
STATEMENTS OF FINANCIAL POSITION

	December 31, 2018	December 31, 2017
ASSETS		
Cash and cash equivalents	**$ 358,292**	$ 399,173
Receivables	**10,000**	-
Prepaid insurance	**999**	1,232
Investments	**344,179**	367,095
Total assets	**$ 713,470**	$ 767,500
LIABILITIES		
Accounts payable	**$ 1,264**	$ 300
Accrued expenses	**1,850**	-
Total liabilities	**3,114**	300
NET ASSETS		
Without donor restrictions	**633,959**	662,794
With donor restrictions	**76,397**	104,406
Total net assets	**710,356**	767,200
Total liabilities and net assets	**$ 713,470**	$ 767,500

FRIENDS OF KENYAN ORPHANS
STATEMENTS OF ACTIVITIES

	Year ended December 31, 2018			Year ended December 31, 2017		
	Without donor Restrictions	With donor Restrictions	Total	Without donor Restrictions	With donor Restrictions	Total
REVENUES						
Contributions	**$ 357,786**	**$ 17,970**	**$ 375,756**	$ 339,141	$ 14,516	$ 353,657
Investment income	**4,915**	**-**	**4,915**	7,345	-	7,345
Realized and unrealized gain (loss) on sale of investments	**(41,099)**	**-**	**(41,099)**	42,493	-	42,493
Other revenue	**19**	**-**	**19**	26	-	26
Net assets released from restrictions	**45,979**	**(45,979)**	**-**	11,806	(11,806)	-
Total revenues	**367,600**	**(28,009)**	**339,591**	400,811	2,710	403,521
EXPENSES						
Program	**359,258**	**-**	**359,258**	321,189	-	321,189
Management	**17,414**	**-**	**17,414**	34,833	-	34,833
Fundraising	**19,763**	**-**	**19,763**	40,560	-	40,560
Total expenses	**396,435**	**-**	**396,435**	396,582	-	396,582
CHANGE IN NET ASSETS	**(28,835)**	**(28,009)**	**(56,844)**	4,229	2,710	6,939
NET ASSETS, Beginning of year	**662,794**	**104,406**	**767,200**	658,565	101,696	760,261
NET ASSETS, End of year	**$ 633,959**	**$ 76,397**	**$ 710,356**	$ 662,794	$ 104,406	$ 767,200

See notes to financial statements.

FRIENDS OF KENYAN ORPHANS
STATEMENTS OF FUNCTIONAL EXPENSES

	Year ended December 31, 2018				Year ended December 31, 2017			
	Program	**Management**	**Fundraising**	**Total**	**Program**	**Management**	**Fundraising**	**Total**
Salaries and employee expense	**$ -**	**$ -**	**$ -**	**$ -**	$ 16,600	$ 16,600	$ 16,600	$ 49,800
Direct aid	**319,225**	**-**	**-**	**319,225**	287,193	-	-	287,193
Professional fees/contract services	**22,521**	**11,260**	**11,260**	**45,041**	7,317	14,700	6,559	28,576
Insurance	**561**	**577**	**561**	**1,699**	-	962	-	962
Office expense	**1,671**	**1,114**	**2,785**	**5,570**	1,395	547	3,919	5,861
Travel and meetings	**10,948**	**-**	**-**	**10,948**	4,872	-	5,055	9,927
Fundraising	**-**	**-**	**825**	**825**	-	-	2,379	2,379
Bank fees	**443**	**455**	**443**	**1,341**	92	2,024	2,327	4,443
Printing and copying	**3,889**	**4,008**	**3,889**	**11,786**	3,720	-	3,721	7,441
	$ 359,258	**$ 17,414**	**$ 19,763**	**$ 396,435**	$ 321,189	$ 34,833	$ 40,560	$ 396,582

FRIENDS OF KENYAN ORPHANS
STATEMENTS OF CASH FLOWS

	Years ended December 31, 2018	2017
OPERATING ACTIVITIES		
Change in net assets	**$ (56,844)**	$ 6,939
Adjustments to reconcile change in net assets to net cash from operating activities:		
Non-cash contributions of stock	**(1,500)**	(6,875)
Net realized and unrealized (gains) loss on investments	**41,099**	(42,493)
Change in operating assets and liabilities:		
Accounts receivable	**(10,000)**	-
Prepaid insurance	**233**	(1,232)
Accounts payable	**963**	300
Accrued expenses	**1,850**	(5,646)
Net cash (used in) operating activities	**(24,199)**	(49,007)
INVESTING ACTIVITIES		
Proceeds from sale of investments	**40,565**	43,473
Purchase of investments	**(57,247)**	(46,168)
Net cash (used in) investing activities	**(16,682)**	(2,695)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(40,881)**	(51,702)
CASH AND CASH EQUIVALENTS, Beginning	**399,173**	450,875
CASH AND CASH EQUIVALENTS, Ending	**$ 358,292**	$ 399,173
NON-CASH ACTIVITY		
Contribution of stock	**$ 1,500**	$ 6,875
In-kind contributions	**$ 6,300**	$ 8,300

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

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 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 and have been consistently applied in the preparation of the financial statements.

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are prepared in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountant (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the Guide"). (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

> **Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization management and the board of directors.
>
> **Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

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.

Accounts Receivable

Accounts receivable are stated net of an allowance for doubtful accounts. The Organization does not require collateral for its accounts or grants receivable. Management believes all receivables are collectible, and therefore there is no allowance for doubtful accounts for accounts receivable at December 31, 2018 and 2017.

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

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. Investment return is presented net of investment fees.

Revenue Recognition

Contributions

Unconditional contributions are recognized when pledged are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, occupancy and general operating expenses on the basis of estimates of time and effort. All other expenses are allocated based on direct identification and utilization.

Reclassification

Certain 2017 amounts have been reclassified to conform to 2018 presentations. The reclassifications had no effect on net assets.

Income Taxes

The Organization operates as a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes.

ASC guidance regarding accounting for uncertainty in income taxes clarifies the accounting for income taxes by prescribing the minimum recognition threshold income tax position is required to be met 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, 2018 and 2017, there were no uncertain tax positions that required accrual.

Subsequent Events

The Organization has performed a review of events subsequent to the Statements of Financial Position date through October 2, 2019, the date the financial statements were available to be issued.

NOTE 3 – INVESTMENTS

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

	December 31, 2018		
	Cost	Fair Value	Unrealized Gain (Loss)
Common stock	195,432	223,119	27,687
Equity funds	16,631	15,601	(1,030)
Diversified bond funds	101,929	98,578	(3,351)
MLP	3,817	3,055	(762)
REIT	4,982	3,826	(1,156)
	$ 322,791	$ 344,179	$ 21,388

	December 31, 2017		
	Cost	Fair Value	Unrealized Gain (Loss)
Common stock	176,845	238,460	61,615
Equity funds	16,631	18,675	2,044
Bond funds	100,758	100,013	(745)
MLP	3,817	3,777	(40)
REIT	4,982	6,170	1,188
	$ 303,033	$ 367,095	$ 64,062

NOTE 4 – 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 4– 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 4 – 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, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Common stock	223,119	-	-	223,119
Equity funds	15,601	-	-	15,601
Bond funds	98,578	-	-	98,578
MLP	3,055	-	-	3,055
REIT	3,826	-	-	3,826
Total	$ 344,179	$ -	$ -	$ 344,179

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
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	$ -	$ -	$ 367,095

FRIENDS OF KENYAN ORPHANS
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 5 – RESTRICTED NET ASSETS

Net assets with donor restrictions are available for the following purposes:

	December 31, 2018	December 31, 2017
Library	$ -	$ 250
Higher Education Options	42,967	74,763
Siena Heights University	6,610	16,180
Chestnut Hill College	-	4,363
St Philomena Home for Hope	10,000	-
Sponsorship	16,820	8,850
	$ 76,397	$ 104,406

NOTE 6– LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2018, reduced by the amounts not available for general use within one year due to contractual or donor-imposed restrictions or internal designations.

Financial assets	
Cash	$ 358,292
Receivables	10,000
Total financial assets	368,292
Amounts not available for general use	
Donor restricted funds	(76,397)
Total amounts not available for general use	(76,397)
Financial assets available to meet general expenditures within one year	$ 291,895

NOTE 7 – IN-KIND CONTRIBUTIONS

The Organization receives in-kind professional services recorded at fair value when performed. For the years ended December 31, 2018 and 2017, the value of the services was approximately $6,300 and $8,300, respectively.

NOTE 8 – RELATED PARTY TRANSACTIONS

The Organization made purchases from a company owned by a board member during the year ended December 31, 2018 and 2017 that totaled $11,283 and $7,955, respectively.