

# Financial Statements

Friends of Ngong Road  
(a Nonprofit Corporation)  
Minneapolis, Minnesota

For the Years Ended  
December 31, 2020 and 2019

Friends of Ngong Road  
Table of Contents  
December 31, 2020 and 2019

	<u>Page No.</u>
<b>Independent Auditor's Report</b>	3
<b>Consolidated Financial Statements</b>	
Consolidated Statements of Financial Position	5
Consolidated Statements of Activities	6
Consolidated Statements of Functional Expenses	8
Consolidated Statements of Cash Flows	10
Notes to the Consolidated Financial Statements	11



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Friends of Ngong Road  
Minneapolis, Minnesota

We have audited the consolidated financial statements of Friends of Ngong Road (the Organization), a not-for-profit corporation, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Friends of Ngong Road as of December 31, 2020 and 2019, 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.

ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
March 8, 2021

## CONSOLIDATED FINANCIAL STATEMENTS

Friends of Ngong Road  
Consolidated Statements of Financial Position  
December 31, 2020 and 2019

	2020	2019
Assets		
Cash	\$ 430,332	\$ 241,974
Investments	719,291	626,000
Accounts receivable	-	3,500
Pledges receivable, net	112,366	207,219
Inventory	1,393	2,490
Prepaid expenses	4,394	4,340
Total Assets	\$ 1,267,776	\$ 1,085,523
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 442	\$ 11,116
Accrued expenses	9,274	-
Total Current Liabilities	9,716	11,116
Net Assets		
Without donor restrictions:		
Designated by the Board for endowment funds	719,291	626,000
Undesignated	356,121	167,503
Total without donor restrictions	1,075,412	793,503
With donor restrictions		
Purpose restrictions	71,067	71,067
Time-restricted for future periods	111,581	209,837
Total with donor restrictions	182,648	280,904
Total Net Assets	1,258,060	1,074,407
Total Liabilities and Net Assets	\$ 1,267,776	\$ 1,085,523

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

Friends of Ngong Road  
Consolidated Statements of Activities  
For the Year Ended December 31, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Contributions and grants	\$ 742,462	\$ -	\$ 742,462
In-kind donations	9,300	-	9,300
Investment income	66,465	-	66,465
Other income (expense)	(2,917)	-	(2,917)
Revenue and Other Support	<u>815,310</u>	<u>-</u>	<u>815,310</u>
Net Assets Released from Restrictions	<u>98,256</u>	<u>(98,256)</u>	<u>-</u>
Total Revenue and Other Support	<u>913,566</u>	<u>(98,256)</u>	<u>815,310</u>
Expenses			
Program services	437,182	-	437,182
Supporting services			
Management and general	122,850	-	122,850
Fundraising	71,625	-	71,625
Total Expenses	<u>631,657</u>	<u>-</u>	<u>631,657</u>
Change in Net Assets	281,909	(98,256)	183,653
Beginning Net Assets	<u>793,503</u>	<u>280,904</u>	<u>1,074,407</u>
Ending Net Assets	<u>\$ 1,075,412</u>	<u>\$ 182,648</u>	<u>\$ 1,258,060</u>

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

Friends of Ngong Road  
Consolidated Statements of Activities (Continued)  
For the Year Ended December 31, 2019

	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenue and Other Support			
Contributions and grants	\$ 671,721	\$ 36,164	\$ 707,885
In-kind donations	6,373	-	6,373
Investment income	89,612	-	89,612
Other income	1,834	-	1,834
Revenue and Other Support	<u>769,540</u>	<u>36,164</u>	<u>805,704</u>
Net Assets Released from Restrictions	<u>126,682</u>	<u>(126,682)</u>	<u>-</u>
Total Revenue and Other Support	<u>896,222</u>	<u>(90,518)</u>	<u>805,704</u>
Expenses			
Program services	598,327	-	598,327
Supporting services			
Management and general	104,750	-	104,750
Fundraising	96,434	-	96,434
Total Expenses	<u>799,511</u>	<u>-</u>	<u>799,511</u>
Change in Net Assets	96,711	(90,518)	6,193
Beginning Net Assets	<u>696,792</u>	<u>371,422</u>	<u>1,068,214</u>
Ending Net Assets	<u>\$ 793,503</u>	<u>\$ 280,904</u>	<u>\$ 1,074,407</u>

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

Friends of Ngong Road  
Consolidated Statements of Functional Expenses  
For the Year Ended December 31, 2020

	2020			Total Expenses
	Supporting Services			
	Program Services	Management and General	Fundraising	
Expenses				
Program Disbursements	\$ 430,545	\$ -	\$ -	\$ 430,545
Salaries and Related Expenses	-	66,221	53,635	119,856
Business Expenses	-	45,830	7,649	53,479
Legal Expenses	-	-	-	-
Cost of Goods Sold	1,097	-	-	1,097
Donated Goods and Services	5,540	-	3,760	9,300
Travel and Meetings	-	-	6,581	6,581
Accounting and Tax	-	10,799	-	10,799
Miscellaneous	-	-	-	-
Total Expenses	\$ 437,182	\$ 122,850	\$ 71,625	\$ 631,657

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.



Friends of Ngong Road  
 Consolidated Statements of Functional Expenses (Continued)  
 For the Year Ended December 31, 2019

	2019			Total Expenses
	Supporting Services			
	Program Services	Management and General	Fundraising	
Expenses				
Program Disbursements	\$ 589,079	\$ -	\$ -	\$ 589,079
Business Expenses	-	70,859	95,706	166,565
Legal Expenses	-	4,176	-	4,176
Cost of Goods Sold	572	-	-	572
Donated Goods and Services	-	5,645	728	6,373
Travel and Meetings	7,493	-	-	7,493
Bad Debts	-	2,322	-	2,322
Accounting and Tax	-	21,748	-	21,748
Miscellaneous	1,183	-	-	1,183
Total Expenses	\$ 598,327	\$ 104,750	\$ 96,434	\$ 799,511

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

Friends of Ngong Road  
Consolidated Statements of Cash Flows  
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 183,653	\$ 6,193
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debts	19,157	2,322
Realized and unrealized (gain) loss on investments	(51,884)	(72,284)
Change in current assets and liabilities:		
Accounts receivable	3,500	(3,500)
Pledges receivable	75,696	94,116
Inventory	1,097	25,636
Prepaid expenses	(54)	(4,340)
Accounts payable	(10,674)	7,956
Accrued expenses	9,274	-
Net Cash Provided by Operating Activities	229,765	56,099
 Cash Flows from Investing Activities		
Purchase of investments	(330,285)	(374,868)
Proceeds from sale of investments	288,878	336,519
Net Cash Provided (Used) by Investing Activities	(41,407)	(38,349)
 Change in Cash and Cash Equivalents	188,358	17,750
 Beginning Cash and Cash Equivalents	241,974	224,224
 Ending Cash and Cash Equivalents	\$ 430,332	\$ 241,974
 Supplemental Disclosure of Non-Cash Financing Activities		
Receipt of in-kind goods and services	\$ 9,300	\$ 6,373

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

## Note 1: Summary of Significant Accounting Policies

### A. Nature of Activities

The mission of Friends of Ngong Road (the Organization) is to provide education and support for Nairobi children living in poverty whose families are affected by HIV/AIDS so they can transform their lives. The Organization pairs each sponsor with a specific child allowing a mutually beneficial relationship to develop.

Karibu Children's Fund LLC was established in 2016 to send funds for support of income-producing activities in Kenya and became active in 2018. Karibu Children's Fund LLC is a subsidiary of Friends of Ngong Road.

### B. Basis of Consolidation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting with revenue being recorded when earned and expenditures recorded when the obligation is incurred or the benefits are received in accordance with Generally Accepted Accounting Principles (GAAP).

Friends of Ngong Road is the sole member of Karibu Children's Fund LLC. Karibu Children's Fund LLC is consolidated within these financial statements.

### C. Financial Statement Presentation

Net assets and revenue, gains, and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets without Donor Restriction - Resources over which the board of directors has discretionary control. Designated amounts represent those revenues which the board has set aside for a particular purpose.

Net Assets with Donor Restriction - Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulated that resources be maintained in perpetuity. At this time, the Organization has no such perpetually restricted resources.

### D. Contributions

Contributions, unconditional promises to give, and other assets are recognized at fair values and recorded as made. All contributions are considered to be without donor restriction unless specifically restricted by the donor. Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed or when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

### E. Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents. US Dollar (USD) cash and cash equivalents are insured by the FDIC.

Cash balances at December 31, 2020 include Kenya Shillings (KES). The Organization began purchasing KES in 2020 for the sole purpose of funding approved program activities in Ngong Road Children's Foundation. The Organization does not make speculative purchases or sales of any currency in an effort to generate profits from currency trading. Transactions in foreign currencies are translated into USD (the organization's functional currency) at the exchange rates on the dates of the transactions. Foreign currency balances are translated into USD at the exchange rate at the reporting date. Realized gains and losses reflect the change in the exchange rate from the purchase date to the translation dates.

## Note 1: Summary of Significant Accounting Policies (Continued)

### F. Investments

The Organization carries its fixed income and equity funds at fair value and realized and unrealized gains/losses are reflected in the statements of activities.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

### G. Pledges Receivable

Pledges receivable that are expected to be collected within one year are recorded at their net realizable value. Conditional pledges are not included as support until such time as the conditions are substantially met. At December 31, 2020 and 2019, an allowance in the amount of \$861 and \$2,617, respectively, has been recorded. Pledges expected to be collected beyond the next fiscal year are stated at net present value with discount rates at 0.17% and 1.62% for 2020 and 2019, respectively.

### H. In-kind Contributions

Contributions of gifts in-kind that can be used or sold by the Organization are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

### I. Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

### J. Tax Exempt Status

The Organization has tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute 290.05.

### K. Fair Value Measurements

Fair value measurement accounting literature establishes a fair value hierarchy based on the priority of the inputs used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Consolidated Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1** - Inputs are unadjusted quoted prices for identical assets in active markets that the Organization has the ability to access. The Organization has investments of equities and bonds included in Level 1.

Friends of Ngong Road  
Notes to the Consolidated Financial Statements  
December 31, 2020 and 2019

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Level 2** - Inputs 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

**Level 3** - Inputs are unobservable and significant to the fair value measurement.

**L. Functional Allocation of Expenses**

Expenses not directly identified by function are allocated based on the best estimates of management.

**M. Subsequent Events**

In preparing the consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 8, 2021, the date the consolidated financial statements were available to be issued.

**Note 2: Liquidity and Availability of Financial Assets**

The Organization's financial assets due within one year of the balance sheet date for general expenditures are as follows as of December 31, 2020 and 2019, respectively:

	2020	2019
Cash	\$ 430,332	\$ 241,974
Investments	719,291	626,000
Accounts Receivable	-	3,500
Pledges Receivable, Net of Discounts and Allowances	112,366	207,219
Total Financial Assets Available Within One Year	1,261,989	1,078,693
Less: amounts unavailable for general expenditures within one year, due to:		
Board-designated for endowment	(719,291)	(626,000)
Net assets with donor restrictions - time restriction	(2,000)	(65,010)
Net assets with donor restrictions - purpose restriction	(71,067)	(71,067)
Total Amounts Unavailable for General Expenditures Within One Year	(792,358)	(762,077)
Financial assets available to meet cash needs for general expenditures within one year	\$ 469,631	\$ 316,616

The board of directors and management routinely monitor liquidity and cash reserves which fund operations and program service delivery in accordance with established policies. Additionally, the board designated investments of \$719,291 can be drawn upon through board resolution for operational needs at any time.

Friends of Ngong Road  
Notes to the Consolidated Financial Statements  
December 31, 2020 and 2019

**Note 3: Pledges Receivable**

Pledges receivable consists of commitments from various donors. The balance of pledges receivable consists of the following at December 31:

	2020	2019
Amounts due in:		
Less than one year	\$ 111,351	\$ 144,827
Greater than one year	2,000	69,664
Gross pledges receivable	113,351	214,491
Discounted to net present value	(124)	(4,655)
Allowance for doubtful accounts	(861)	(2,617)
Total	\$ 112,366	\$ 207,219

**Note 4: Foreign Currency Translation**

The Organization realized losses of \$6,996 and \$0 in currency translation from Kenya Shillings (KES) to USD in the years ended December 31, 2020 and 2019, respectively. Disbursements to Ngong Road Children's Foundation in 2020 were paid in KES. Foreign currency activity for the years ended December 31 are reflected below.

	2020	2019
Kenya Shilling (KES) Transactions		
Beginning Balance, January 1	KES -	KES -
Purchases	54,955,820	-
Disbursements for Program Activities	(45,573,515)	-
Ending Balance, December 31	KES 9,382,305	KES -
US Dollar Equivalent of KES held at December 31	\$ 86,082	\$ -

**Note 5: Investments**

The fair market value of investments consists of the following at December 31:

	2020	2019
Fixed Income Funds	\$ 250,777	\$ 218,981
Equity Funds	452,837	401,983
Equity Securities	14,671	-
Cash Equivalents	1,006	5,036
Total	\$ 719,291	\$ 626,000

Friends of Ngong Road  
Notes to the Consolidated Financial Statements  
December 31, 2020 and 2019

**Note 6: Related Party Transactions**

The Organization's sister organization, Ngong Road Children's Foundation, operates in Kenya. The boards of both organizations work together to ensure the program in Kenya is effective and well-managed, and that donors are satisfied and supportive. The Organization remitted a total of \$424,091 and \$557,851 to Ngong Road Children's Foundation during the years ended December 31, 2020 and 2019, respectively.

During 2014, Karibu Loo began operations as a fully owned subsidiary of Ngong Road Children's Foundation. In 2017, Karibu Loo was approved by Kenya authorities and became a standalone entity. Karibu Children's Fund LLC is a member of Karibu Loo. The Organization remitted a total of \$0 and \$31,196 to Karibu Loo during the years ended December 31, 2020 and 2019, respectively.

**Note 7: Fair Value Measurements**

The Organization uses the following valuation methodologies for each type of investment:

Fixed Income and Equity Funds - Valued at the net asset value (NAV) of shares held by the Organization at year end.

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

December 31, 2020	Level 1	Level 2	Level 3	Total
Fixed Income Funds	\$ 250,777	\$ -	\$ -	\$ 250,777
Equity Funds	452,837	-	-	452,837
Equity Securities	14,671	-	-	14,671
Invested Cash	1,006	-	-	1,006
<b>Total</b>	<b>\$ 719,291</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 719,291</b>

  

December 31, 2019	Level 1	Level 2	Level 3	Total
Fixed Income Funds	\$ 218,981	\$ -	\$ -	\$ 218,981
Equity Funds	401,983	-	-	401,983
Invested Cash	5,036	-	-	5,036
<b>Total</b>	<b>\$ 626,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 626,000</b>

**Note 8: Net Assets With Donor Restrictions**

Donor restricted net assets consist of the following donor restrictions as of December 31:

	2020	2019
Purpose Restricted:		
Camp	\$ 52,833	\$ 52,833
Post secondary scholarship	7,110	7,110
Sexual and reproductive health	1,095	1,095
Technology for Kenya	10,029	10,029
Time Restricted:		
Sustaining pledges	111,581	209,837
<b>Net Assets with Donor Restrictions, December 31</b>	<b>\$ 182,648</b>	<b>\$ 280,904</b>

Friends of Ngong Road  
Notes to the Consolidated Financial Statements  
December 31, 2020 and 2019

**Note 9: In-kind Contributions**

The Organization received in-kind contributions of \$9,300 and \$6,373 for the years ended December 31, 2020 and 2019, respectively.

**Note 10: Endowment**

The purpose of the Organization's board-designated endowment is to provide for future spending needs while meeting current spending needs. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization has no donor-restricted endowment funds or donor-designated endowments as of December 31, 2020 and 2019.

Board-designated endowment fund activity for the years ended December 31, 2020 and 2019 is as follows:

Endowment Net Assets, January 1, 2019	\$ 515,367
Net appropriations	21,021
Investment income	89,612
Endowment Net Assets, December 31, 2019	<u>626,000</u>
Net contributions	26,867
Investment income	<u>66,424</u>
Endowment Net Assets, December 31, 2020	<u><u>\$ 719,291</u></u>

**Investment Objectives and Strategies**

The investment objective of the Endowment Fund is based upon a long-term investment horizon allowing interim fluctuations to be viewed in an appropriate perspective. The return target is 4% plus inflation and fees. To accomplish this return goal, the Endowment Fund will diversify its assets among several asset classes and seek to manage risk effectively.

**Spending Policy**

The purpose of the Endowment Fund is two-fold: to provide funding for programs of the Organization and to help the Organization manage its finances in the event of an unexpected loss or uneven revenue flows. To date, the board has elected to use Endowment Fund resources for both purposes. In 2021, the board will adopt a spending rate of 4%. Historically, distributions have been episodic and specific to the two purposes outlined above.

**Note 11: COVID-19**

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world during 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Organization projects that it may have a material impact to its operations due to the nature of the Organization with its overseas programs.