

FRIENDS OF NGONG ROAD
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

**FRIENDS OF NGONG ROAD
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Friends of Ngong Road
Edina, Minnesota

We have audited the accompanying financial statements of Friends of Ngong Road (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.

Auditors' 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 auditors' 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.

Board of Directors
Friends of Ngong Road

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of Ngong Road 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 6, 2018

**FRIENDS OF NGONG ROAD
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016**

	2017	2016
ASSETS		
Cash	\$ 177,079	\$ 139,994
Investments	691,063	597,649
Inventory	2,609	2,293
Pledges Receivable, Net	311,906	45,983
Total Assets	\$ 1,182,657	\$ 785,919
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 1,170	\$ -
Total Liabilities	1,170	-
NET ASSETS		
Unrestricted:		
Board Designated Endowment Funds	691,063	597,649
Undesignated	157,300	155,307
Total Unrestricted	848,363	752,956
Temporarily Restricted	333,124	32,963
Total Net Assets	1,181,487	785,919
Total Liabilities and Net Assets	\$ 1,182,657	\$ 785,919

See accompanying Notes to Financial Statements.

**FRIENDS OF NGONG ROAD
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
SUPPORT AND REVENUE		
Contributions	\$ 643,319	\$ 599,484
In-Kind Donations	14,236	21,440
Investment Income	77,573	58,618
Total Support and Revenue	735,128	679,542
 EXPENSE		
Program Services	478,256	725,748
Management and General	92,559	80,984
Fundraising	79,436	78,485
Total Expense	650,251	885,217
 NET ASSETS RELEASED FROM RESTRICTION	10,530	2,940
 INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	95,407	(202,735)
 TEMPORARY RESTRICTED ACTIVITIES		
Contributions	310,691	6,899
Releases from Restriction	(10,530)	(2,940)
 INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	300,161	3,959
 TOTAL INCREASE (DECREASE) IN NET ASSETS	395,568	(198,776)
 Net Assets - Beginning of Year	785,919	984,695
 NET ASSETS - END OF YEAR	\$ 1,181,487	\$ 785,919

See accompanying Notes to Financial Statements.

**FRIENDS OF NGONG ROAD
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017			2016				
	Program Services	Management and General	Fundraising	Total All Services	Program Services	Management and General		Fundraising
Program Disbursements	\$ 449,357	\$ -	\$ -	\$ 449,357	\$ 707,028	\$ -	\$ -	\$ 707,028
Business Expenses	-	51,379	78,665	130,044	-	24,624	73,855	98,479
Legal Expenses	-	1,402	-	1,402	-	12,094	-	12,094
Cost of Goods Sold	2,322	-	-	2,322	3,612	-	-	3,612
Donated Goods and Services	7,867	5,598	771	14,236	2,293	14,516	4,630	21,439
Travel and Meetings	7,634	-	-	7,634	8,396	-	-	8,396
Bad Debts	-	19,154	-	19,154	-	16,453	-	16,453
Accounting and Tax	-	15,026	-	15,026	-	13,297	-	13,297
Miscellaneous	11,076	-	-	11,076	4,419	-	-	4,419
Total Expense	<u>\$ 478,256</u>	<u>\$ 92,559</u>	<u>\$ 79,436</u>	<u>\$ 650,251</u>	<u>\$ 725,748</u>	<u>\$ 80,984</u>	<u>\$ 78,485</u>	<u>\$ 885,217</u>
	<u>74%</u>	<u>14%</u>	<u>12%</u>	<u>100%</u>	<u>82%</u>	<u>9%</u>	<u>9%</u>	<u>100%</u>

See accompanying Notes to Financial Statements.

**FRIENDS OF NGONG ROAD
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 395,568	\$ (198,776)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Realized and Unrealized Gain on Investments	(61,868)	(42,153)
Change in Current Assets and Liabilities:		
Inventory	(316)	430
Pledge Receivables	(265,923)	(12,156)
Accounts Payable	1,170	-
Net Cash Provided (Used) by Operating Activities	<u>68,631</u>	<u>(252,655)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(123,482)	(374,127)
Proceeds from Sale of Investments	<u>91,936</u>	<u>582,739</u>
Net Cash Provided (Used) by Investing Activities	<u>(31,546)</u>	<u>208,612</u>
NET INCREASE (DECREASE) IN CASH	37,085	(44,043)
Cash - Beginning of Year	<u>139,994</u>	<u>184,037</u>
CASH - END OF YEAR	<u><u>\$ 177,079</u></u>	<u><u>\$ 139,994</u></u>

See accompanying Notes to Financial Statements.

**FRIENDS OF NGONG ROAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Purpose

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.

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting.

Financial Statement Presentation

Net assets and revenues, 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:

Unrestricted Net Assets – Resources over which the board of directors has discretionary control.

Temporarily Restricted Net Assets – Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or the passage of time.

Permanently Restricted Net Assets – Those resources subject to a donor-imposed restriction that they be maintained permanently. At this time, the Organization has no such permanently restricted resources.

Contributions

Contributions, unconditional promises to give, and other assets are recognized at fair values and are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor.

Donor-restricted contributions are reported as increases in temporary or permanently restricted net assets, depending on the nature of the restrictions. When these restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Organization considers all cash and other highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

At times, cash and cash equivalents may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

**FRIENDS OF NGONG ROAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Organization carries its fixed income and equity funds at fair value and realized and unrealized gains and 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 statements of financial position.

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, 2017 and 2016, an allowance in the amount of \$5,259 and \$2,812, respectively, has been recorded.

Functional Allocation of Expense

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

Estimates and Assumptions

The preparation of 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 financial statements and accompanying notes. Actual results could differ from the estimates used.

Tax-Exempt Status

The Organization has tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. The Organization has adopted guidance in the income tax standard regarding the recognition of uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. During 2017 and 2016, the Organization did not have any uncertain tax positions.

The Organization's tax returns are subject to review and examination by federal, state, and local authorities.

FRIENDS OF NGONG ROAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The Organization follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the Organization has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. 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 the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statement of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, or that are traded by dealers or brokers in active over-the-counter markets. The Organization has investments of equities and bonds included in Level 1.

Level 2 – Financial assets and liabilities are valued using inputs quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 6, 2018, the date the financial statements were available to be issued.

FRIENDS OF NGONG ROAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 2 PLEDGES RECEIVABLE

Pledges receivable at December 31, 2017 and 2016 consist of commitments from various donors. The discount rate has been imputed at 1.98%. The allowance for uncollectible pledges was \$5,259 and \$2,812 for 2017 and 2016, respectively. The total balance outstanding on these unconditional promises-to-give was \$311,906 and \$45,953 for 2017 and 2016, respectively.

	2017	2016
Amounts Due in:		
Less Than One Year	\$ 174,373	\$ 48,795
Greater Than One Year	151,400	-
Gross Pledges Receivable	325,773	48,795
Discounted to Net Present Value at 1.98%	(8,608)	-
Allowance for Doubtful Accounts	(5,259)	(2,812)
Total	\$ 311,906	\$ 45,983

NOTE 3 INVESTMENTS

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

	2017	2016
Fixed Income Mutual Funds	\$ 243,280	\$ 249,546
Equity Mutual Funds	441,952	326,417
Cash Equivalents	5,831	21,686
Total	\$ 691,063	\$ 597,649

Investment income consists of the following at December 31:

	2017	2016
Interest and Dividends, Net of Fees	\$ 15,705	\$ 16,465
Realized Gain (Loss)	5,948	(15,134)
Unrealized Gain	55,920	57,287
Total	\$ 77,573	\$ 58,618

**FRIENDS OF NGONG ROAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 4 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Organization values all other assets and liabilities, refer to Note 1 – Summary of Significant Accounting Policies.

The Organization's mutual funds measured at fair value on a recurring basis as of December 31, 2017 and 2016 were classified as follows:

	Level 1	Level 2	Level 3	2017 Total
Fixed Income Mutual Funds	\$ 243,280	\$ -	\$ -	\$ 243,280
Equity Mutual Funds	441,952	-	-	441,952
Total	<u>\$ 685,232</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 685,232</u>
	Level 1	Level 2	Level 3	2016 Total
Fixed Income Mutual Funds	\$ 249,546	\$ -	\$ -	\$ 249,546
Equity Mutual Funds	326,417	-	-	326,417
Total	<u>\$ 575,963</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 575,963</u>

NOTE 5 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, 2017 and 2016.

Board-designated endowment fund activity for the years ended December 31, 2017 and 2016 is as follows:

Endowment Net Assets, January 1, 2016	\$ 764,108
Net Appropriations	(225,077)
Investment Income	58,618
Endowment Net Assets, December 31, 2016	<u>597,649</u>
Net Contribution	15,841
Investment Income	77,573
Endowment Net Assets, December 31, 2017	<u>\$ 691,063</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 5% 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.

**FRIENDS OF NGONG ROAD
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 5 ENDOWMENT (CONTINUED)

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. The board has not adopted a spending rate and does not currently take regular distributions; distributions have been episodic and specific to the two purposes outlined above.

NOTE 6 RELATED PARTY TRANSACTIONS

The Organization's sister organization, Ngong Road Children's Association, 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 \$459,824 and \$623,364 to Ngong Road Children's Association during the years ended December 31, 2017 and 2016, respectively.

During 2014, Karibu Loo began operations as a fully owned subsidiary of Ngong Road Children's Association. The Organization remitted a total of \$12,258 and \$83,664 to Karibu Loo during the years ended December 31, 2017 and 2016, respectively.

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following donor restrictions as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Purpose Restricted:		
Medical Emergency	\$ 392	\$ 2,263
Camp	52,270	30,700
Post Secondary Scholarship	5,489	-
Sexual and Reproductive Health	1,095	-
Tech for Kenya	1,887	-
Time Restricted:		
Sustaining Pledge	271,991	-
Total	<u>\$ 333,124</u>	<u>\$ 32,963</u>

Releases from restriction consisted of funds expended that satisfied the restricted purpose specified by donors.