

**FRIENDS OF NGONG ROAD**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**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 consolidated financial statements of Friends of Ngong Road (a nonprofit organization) and its subsidiary, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, 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 consolidated 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 consolidated 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 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Friends of Ngong Road and its subsidiary 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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
April 23, 2019

**FRIENDS OF NGONG ROAD  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>ASSETS</b>		
Cash	\$ 224,224	\$ 177,079
Investments	515,367	691,063
Inventory	28,126	2,609
Pledges Receivable, Net	303,657	311,906
Total Assets	\$ 1,071,374	\$ 1,182,657
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 3,160	\$ 1,170
Total Liabilities	3,160	1,170
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Designated by the Board for Endowment Fund	515,367	691,063
Undesignated	181,425	157,300
Total Without Donor Restrictions	696,792	848,363
With Donor Restrictions:		
Purpose Restrictions	65,167	61,133
Time-Restricted for Future Periods	306,255	271,991
Total With Donor Restrictions	371,422	333,124
Total Net Assets	1,068,214	1,181,487
Total Liabilities and Net Assets	\$ 1,071,374	\$ 1,182,657

*See accompanying Notes to Consolidated Financial Statements.*

**FRIENDS OF NGONG ROAD  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>SUPPORT AND REVENUE</b>		
Contributions	\$ 584,882	\$ 643,319
In-Kind Donations	7,638	14,236
Investment Income (Loss)	(24,918)	77,573
Total Support and Revenue	567,602	735,128
 <b>EXPENSE</b>		
Program Services	657,766	478,256
Management and General	96,329	92,559
Fundraising	92,347	79,436
Total Expense	846,442	650,251
 <b>NET ASSETS RELEASED FROM RESTRICTION</b>	127,269	10,530
 <b>INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	(151,571)	95,407
 <b>NET ASSETS WITH DONOR RESTRICTIONS ACTIVITIES</b>		
Contributions	165,567	310,691
Releases from Restriction	(127,269)	(10,530)
 <b>INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	38,298	300,161
 <b>TOTAL INCREASE (DECREASE) IN NET ASSETS</b>	(113,273)	395,568
 Net Assets - Beginning of Year	1,181,487	785,919
 <b>NET ASSETS - END OF YEAR</b>	\$ 1,068,214	\$ 1,181,487

*See accompanying Notes to Consolidated Financial Statements.*

**FRIENDS OF NGONG ROAD  
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018			2017				
	Program Services	Management and General	Fundraising	Total All Services	Program Services	Management and General	Fundraising	Total All Services
Program Disbursements	\$ 633,846	\$ -	\$ -	\$ 633,846	\$ 449,357	\$ -	\$ -	\$ 449,357
Business Expenses	-	65,907	89,852	155,759	-	51,379	78,665	130,044
Legal Expenses	-	1,050	-	1,050	-	1,402	-	1,402
Cost of Goods Sold	2,001	-	-	2,001	2,322	-	-	2,322
Donated Goods and Services	3,702	1,441	2,495	7,638	7,867	5,598	771	14,236
Travel and Meetings	16,363	-	-	16,363	7,634	-	-	7,634
Bad Debts	-	11,954	-	11,954	-	19,154	-	19,154
Accounting and Tax	-	15,977	-	15,977	-	15,026	-	15,026
Miscellaneous	1,854	-	-	1,854	11,076	-	-	11,076
<b>Total Expense</b>	<b>\$ 657,766</b>	<b>\$ 96,329</b>	<b>\$ 92,347</b>	<b>\$ 846,442</b>	<b>\$ 478,256</b>	<b>\$ 92,559</b>	<b>\$ 79,436</b>	<b>\$ 650,251</b>
	<u>78%</u>	<u>11%</u>	<u>11%</u>	<u>100%</u>	<u>74%</u>	<u>14%</u>	<u>12%</u>	<u>100%</u>

*See accompanying Notes to Consolidated Financial Statements.*

**FRIENDS OF NGONG ROAD  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ (113,273)	\$ 395,568
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Realized and Unrealized Loss (Gain) on Investments	38,870	(61,868)
Change in Current Assets and Liabilities:		
Inventory	(25,517)	(316)
Pledge Receivables	8,249	(265,923)
Accounts Payable	1,990	1,170
Net Cash Provided (Used) by Operating Activities	(89,681)	68,631
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(143,778)	(123,482)
Proceeds from Sale of Investments	280,604	91,936
Net Cash Provided (Used) by Investing Activities	136,826	(31,546)
<b>NET INCREASE IN CASH</b>	47,145	37,085
Cash - Beginning of Year	177,079	139,994
<b>CASH - END OF YEAR</b>	\$ 224,224	\$ 177,079

*See accompanying Notes to Consolidated Financial Statements.*



**FRIENDS OF NGONG ROAD  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**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.

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

**Basis of Presentation**

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

**Basis of Consolidation**

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

**Consolidated 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:

Net Assets Without Donor Restrictions – Resources over which the board of directors has discretionary control. Designated amounts represent those revenues which the boards have set aside for a particular purpose.

Net Assets With Donor Restrictions – 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 stipulates that resources be maintained in perpetuity. At this time, the Organization has no such perpetually restricted resources.

**Contributions**

Contributions, unconditional promises to give, and other assets are recognized at fair values and are 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.

**FRIENDS OF NGONG ROAD**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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 consolidated 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, 2018 and 2017, an allowance in the amount of \$5,598 and \$5,259, 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 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 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 2018 and 2017, 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 CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**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 consolidated 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 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.

**Change in Accounting Principle**

The Organization adopted Financial Accounting Standards Board (FASB) ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in 2018. These changes were applied retrospectively to ensure comparability with the prior year presented herein. The adoption did not impact the Organization's financial position as of December 31, 2018 and 2017, or the changes in its net assets or cash flows for the years then ended.

**Subsequent Events**

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 23, 2019, the date the consolidated financial statements were available to be issued.

**FRIENDS OF NGONG ROAD  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 2 LIQUIDITY**

The Organization has \$345,651 of financial assets available within one year of the balance sheet date as noted in the table below. Additionally, board designated investments of \$515,367 can be drawn upon through board resolution for operational needs.

The Organization's financial assets due within one year of the balance sheet date for general expenditures are as follows:

	2018	2017
Cash and Cash Equivalents	\$ 224,224	\$ 177,079
Pledges Receivable Due Within One Year	186,594	174,373
Less: Assets with Donor Purpose Restrictions	(65,167)	(61,133)
Total	\$ 345,651	\$ 290,319

**NOTE 3 PLEDGES RECEIVABLE**

Pledges receivable at December 31, 2018 and 2017 consist of commitments from various donors. The discount rate has been imputed at 2.46% and 1.98% for 2018 and 2017, respectively. The allowance for uncollectible pledges was \$5,598 and \$5,259 for 2018 and 2017, respectively.

	2018	2017
Amounts Due in:		
Less Than One Year	\$ 186,594	\$ 174,373
Greater Than One Year	131,527	151,400
Gross Pledges Receivable	318,121	325,773
Discounted to Net Present Value	(8,866)	(8,608)
Allowance for Doubtful Accounts	(5,598)	(5,259)
Total	\$ 303,657	\$ 311,906

**NOTE 4 INVESTMENTS**

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

	2018	2017
Fixed Income Mutual Funds	\$ 180,802	\$ 243,280
Equity Mutual Funds	332,025	441,952
Cash Equivalents	2,540	5,831
Total	\$ 515,367	\$ 691,063

**FRIENDS OF NGONG ROAD**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 5 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, 2018 and 2017 were classified as follows:

	Level 1	Level 2	Level 3	2018 Total
Fixed Income Mutual Funds	\$ 180,802	\$ -	\$ -	\$ 180,802
Equity Mutual Funds	332,025	-	-	332,025
Total	<u>\$ 512,827</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 512,827</u>

  

	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>

**NOTE 6 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, 2018 and 2017.

Board-designated endowment fund activity for the years ended December 31, 2018 and 2017 is as follows:

Endowment Net Assets, January 1, 2017	\$ 597,649
Net Contribution	15,841
Investment Income	77,573
Endowment Net Assets, December 31, 2017	<u>691,063</u>
Net Appropriations	(150,778)
Investment Income (Loss)	(24,918)
Endowment Net Assets, December 31, 2018	<u>\$ 515,367</u>

**FRIENDS OF NGONG ROAD  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 6 ENDOWMENT (CONTINUED)**

**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.

**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 7 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 \$579,201 and \$459,824 to Ngong Road Children's Association during the years ended December 31, 2018 and 2017, respectively.

During 2014, Karibu Loo began operations as a fully owned subsidiary of Ngong Road Children's Association. In 2017, Karibu Loo was approved by Kenya authorities and became a standalone entity. Kenya Children's Fund LCC is a member of Kairbu Loo. The Organization remitted a total of \$49,200 and \$12,258 to Karibu Loo during the years ended December 31, 2018 and 2017, respectively.

**NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following donor restrictions as of December 31:

	2018	2017
Purpose Restricted:		
Medical Emergency	\$ -	\$ 392
Camp	52,833	52,270
Post Secondary Scholarship	7,110	5,489
Sexual and Reproductive Health	4,095	1,095
Tech for Kenya	1,129	1,887
Time Restricted:		
Sustaining Pledges	306,255	271,991
Total	\$ 371,422	\$ 333,124

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