

**KENYA EDUCATION FUND, INC.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**AS OF AND FOR THE YEARS ENDED  
DECEMBER 31, 2019 AND 2018**

**KENYA EDUCATION FUND, INC.**

**AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

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## Independent Auditors' Report

To the Board of Directors of  
Kenya Education Fund, Inc.  
New York, NY

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Kenya Education Fund, Inc. (a nonprofit organization) (the "Fund"), which comprise the statements of financial position as of December 31, 2019 and 2018 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements (collectively, the "financial statements").

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 of 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 Kenya Education Fund, Inc. as of December 31, 2019 and 2018 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.

*Nussbaum Berg Klein & Wolpow, CPAs LLP*

Melville, New York  
May 20, 2020

**KENYA EDUCATION FUND, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2019 AND 2018**

**ASSETS**

	<u>2019</u>	<u>2018</u>
Assets:		
Cash and cash equivalents	\$ 626,179	\$ 674,337
Pledges receivable, net of allowance for doubtful accounts of \$10,305 as of December 31, 2019 and 2018	218,298	188,677
Other assets	<u>-</u>	<u>2,250</u>
Total assets	<u>\$ 844,477</u>	<u>\$ 865,264</u>

**LIABILITIES AND NET ASSETS**

Liabilities:		
Accounts payable and accrued expenses	<u>\$ 20,320</u>	<u>\$ 17,381</u>
Net assets:		
Without donor restrictions	331,276	471,292
With donor restrictions	<u>492,881</u>	<u>376,591</u>
Total net assets	<u>824,157</u>	<u>847,883</u>
Total liabilities and net assets	<u>\$ 844,477</u>	<u>\$ 865,264</u>

See notes to financial statements.

**KENYA EDUCATION FUND, INC.**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support:			
Contributions	\$ 348,432	\$ 208,000	\$ 556,432
Special events, net of direct event expenses of \$30,328	93,030	-	93,030
Interest	9,489	-	9,489
Net assets released from donor restrictions	<u>91,710</u>	<u>(91,710)</u>	<u>-</u>
Total revenues and other support	<u>542,661</u>	<u>116,290</u>	<u>658,951</u>
Expenses:			
Program services	589,861	-	589,861
Management and general	42,108	-	42,108
Fund raising	<u>50,708</u>	<u>-</u>	<u>50,708</u>
Total expenses	<u>682,677</u>	<u>-</u>	<u>682,677</u>
Change in net assets	(140,016)	116,290	(23,726)
Net assets, beginning of year	<u>471,292</u>	<u>376,591</u>	<u>847,883</u>
Net assets, end of year	<u>\$ 331,276</u>	<u>\$ 492,881</u>	<u>\$ 824,157</u>

See notes to financial statements.

**KENYA EDUCATION FUND, INC.**  
**STATEMENT OF ACTIVITIES (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support:			
Contributions	\$ 428,896	\$ 148,750	\$ 577,646
Special events, net of direct event expenses of \$44,177	119,948	-	119,948
Interest	4,948	-	4,948
Net assets released from donor restrictions	<u>75,869</u>	<u>(75,869)</u>	<u>-</u>
 Total revenues and other support	 <u>629,661</u>	 <u>72,881</u>	 <u>702,542</u>
Expenses:			
Program services	734,049	-	734,049
Management and general	43,683	-	43,683
Fund raising	<u>55,537</u>	<u>-</u>	<u>55,537</u>
 Total expenses	 <u>833,269</u>	 <u>-</u>	 <u>833,269</u>
 Change in net assets	 (203,608)	 72,881	 (130,727)
Net assets, beginning of year	<u>674,900</u>	<u>303,710</u>	<u>978,610</u>
Net assets, end of year	<u>\$ 471,292</u>	<u>\$ 376,591</u>	<u>\$ 847,883</u>

See notes to financial statements.

**KENYA EDUCATION FUND, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Services	Supporting Services		Total
		Management and General	Fund Raising	
Grants	\$ 530,445	\$ -	\$ -	\$ 530,445
Salaries	43,794	8,759	35,035	87,588
Payroll taxes	3,351	670	2,681	6,702
Employee benefits	170	34	136	340
Professional fees	-	27,000	6,500	33,500
Office	6,091	3,107	3,232	12,430
Marketing	-	-	1,432	1,432
Insurance	-	2,185	115	2,300
Travel and meals	6,010	353	707	7,070
New York filing fee	-	-	870	870
	<b>\$ 589,861</b>	<b>\$ 42,108</b>	<b>\$ 50,708</b>	<b>\$ 682,677</b>

See notes to financial statements.

**KENYA EDUCATION FUND, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services	Supporting Services		Total
		Management and General	Fund Raising	
Grants	\$ 672,688	\$ -	\$ -	\$ 672,688
Salaries	40,782	8,156	32,626	81,564
Payroll taxes	3,311	662	2,649	6,622
Employee benefits	280	56	224	560
Professional fees	-	26,000	-	26,000
Public relations	457	-	153	610
Office	11,509	5,872	6,107	23,488
Information technology	1,075	538	537	2,150
Bad debts	-	-	8,000	8,000
Marketing	-	-	3,800	3,800
Insurance	-	2,167	114	2,281
Travel and meals	3,947	232	464	4,643
New York filing fee	-	-	863	863
	<u>\$ 734,049</u>	<u>\$ 43,683</u>	<u>\$ 55,537</u>	<u>\$ 833,269</u>

See notes to financial statements.



**KENYA EDUCATION FUND, INC.**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Operating activities:		
Change in net assets	\$ (23,726)	\$ (130,727)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Bad debt expense	-	8,000
Changes in operating assets and liabilities:		
Pledges receivable	(29,620)	375
Other assets	2,250	(2,250)
Accounts payable and accrued expenses	<u>2,938</u>	<u>(20,858)</u>
Net cash used in operating activities and net decrease in cash and cash equivalents	(48,158)	(145,460)
Cash and cash equivalents, beginning of year	<u>674,337</u>	<u>819,797</u>
Cash and cash equivalents, end of year	<u>\$ 626,179</u>	<u>\$ 674,337</u>

See notes to financial statements.

# KENYA EDUCATION FUND, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

### 1. Nature of Organization

Effective January 1, 2011, The Kenya Education Fund, Ltd. merged with the Nomadic Kenyan Children's Educational Fund, Inc. The merger was approved by the Internal Revenue Service. The entities combined into one entity in order to provide for, among other things, greater efficiency in their combined administration and operations, thereby enhancing their combined program delivery. The Nomadic Kenyan Children's Educational Fund, Inc., established as a charitable trust in 2001, is the continuing entity. This new entity subsequently changed its name to Kenya Education Fund, Inc. The new Kenya Education Fund, Inc. (the "Fund") is a not-for-profit organization incorporated in the Commonwealth of Virginia.

The purpose of the Fund is to devote and apply its income to charitable and educational purposes including, but not limited to, sponsoring the education of Kenyan students in local secondary schools and guaranteeing their school fees will be provided until they graduate. The Fund will continue funding the education of nomadic Kenyan high school students and help prepare selected primary school students for high school.

The Fund is promoting public awareness of the needs of disadvantaged Kenyan children.

### 2. Summary of Significant Accounting Policies

#### ***Basis of Accounting***

The financial statements of the Fund are prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

#### ***Cash and Cash Equivalents***

The Fund considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At times, cash balances may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limit.

#### ***Liquidity and Availability of Resources***

The Fund has approximately \$745,000 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure, consisting of cash of \$626,179, and pledges receivable due in less than one year of \$119,013. Of these, \$492,881 are subject to donor restrictions. Management has a goal to maintain financial assets, which consist of cash, pledges receivable, and other assets, to meet one year of normal operating expenses, which are, on average, approximately \$750,000. Management has a policy to structure financial assets to be available as general expenditures, liabilities, and other liabilities come due.

#### ***Pledges Receivable***

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

**KENYA EDUCATION FUND, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

**2. Summary of Significant Accounting Policies (Continued)**

***Allowance for Doubtful Accounts***

The Fund's contributions and grants receivable are presented on the statements of financial position net of the allowance for doubtful accounts, if required. The allowance is determined by a variety of factors, including the age of the receivables, current economic conditions, historical losses and other information management obtains regarding the financial condition of donors. The policy for determining the past due status of receivables is based on how recently payments have been received. Receivables are charged off when they are deemed uncollectible, which may arise when donors file for bankruptcy or are otherwise deemed unable to repay the amounts owed to the Fund. The allowance was \$10,305 as of December 31, 2019 and 2018.

***Volunteers and Donated Services***

Several volunteers have donated their time and services to the Fund's activities and fundraising efforts. No amounts have been reflected in the financial statements as such services do not meet the criteria for recognition.

***Income Taxes***

The Fund qualifies as a tax-exempt not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and as a not-for-profit corporation under the laws of the state of Virginia. Accordingly, no provision for federal or state income taxes is required. The Internal Revenue Service has determined that the Fund is a qualified charitable organization to which contributions are eligible for deduction by individual donors as described under Section 170 of the Internal Revenue Code. The Fund has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. The Fund is currently open to audit under the statute of limitations by the federal and state jurisdictions for the years subsequent to 2015.

***Advertising and Promotional Expenses***

Advertising and promotional costs are expensed as incurred and totaled \$1,432 and \$3,800 for the years ended December 31, 2019 and 2018, respectively.

***Use of Estimates***

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 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.

**KENYA EDUCATION FUND, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

**2. Summary of Significant Accounting Policies (Continued)**

***Revenue Recognition***

On January 1, 2019 the Fund adopted Accounting Standards Codification (“ASC”) Topic 606 “Revenue from Contracts with Customers, as amended” (“ASC Topic 606”), using the modified retrospective method applied to those contracts which were not completed as of the adoption date. The adoption of the standard did not have any material impact on how the Fund recognizes its revenues.

The Fund determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a donor
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, a performance obligation is satisfied

The Fund has made the following accounting policy elections and elected to use certain practical expedients, as permitted by the Financial Accounting Standards Board (“FASB”), in applying ASC Topic 606: 1) All revenues are recorded net of any allowance for uncollectible amounts.

The Fund recognizes revenue from fundraising events and other contributions in the period amounts are received or promised. Contributions and grants are considered to be without donor restrictions unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. Special event income is recognized when, or as, performance obligations are satisfied by transferring control of a promised product or service to a donor.

***Net Assets Without Donor Restrictions***

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the “Board”) and/or management for general operating purposes. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management’s discretion. The Fund’s net assets without donor restrictions are composed of undesignated amounts.

***Net Assets With Donor Restrictions***

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or specific purpose restrictions.

The Fund reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities and changes in net assets as net assets released from restrictions.

See Note 4 for more information on the composition of net assets with donor restrictions.

KENYA EDUCATION FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

2. **Summary of Significant Accounting Policies (Continued)**

***Functional Allocation of Expenses***

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Fund are reported as expenses of those functional areas. A portion of General and Administrative costs that benefit multiple functional areas (indirect costs) have been allocated across Programs and Supporting Services.

***Recent Accounting Pronouncements***

In June 2018, The FASB issued Accounting Standards Update (“ASU”) 2018-08 *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU is effective for a not-for-profit entities for fiscal years and interim periods beginning after June 15, 2018. The Fund’s adoption of ASU 2018-08 during 2019 did not have a material impact on the Fund’s financial statements.

In August 2018, the FASB issued ASU 2018-13 *Fair Value Measurements (Topic 820): Framework - Changes to Disclosure Requirements for Fair Value Measurement*, which modifies and adds certain disclosure requirements of ASC Topic 820. The ASU is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Fund is currently evaluating the impact adoption would have on the Fund’s financial statements.

3. **Pledges Receivable**

Included in pledges receivable are the following unconditional promises to give as of December 31:

	<u>2019</u>	<u>2018</u>
Amounts due in less than one year	\$ 119,013	\$ 113,917
Amounts due in one to three years	<u>113,494</u>	<u>88,702</u>
	<u>232,507</u>	<u>202,619</u>
Less: allowance for doubtful contributions	(10,305)	(10,305)
Less: discount to present value	<u>(3,904)</u>	<u>(3,637)</u>
	<u>(14,209)</u>	<u>(13,942)</u>
	<u>\$ 218,298</u>	<u>\$ 188,677</u>

Contributions receivable have been discounted over the payment period using a discount rate of 2.62% and 3.46% at December 31, 2019 and 2018, respectively.

**KENYA EDUCATION FUND, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

**4. Net Assets With Donor Restrictions**

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

<u>Year ended December 31,</u>	<u>2019</u>	<u>2018</u>
2019	\$ -	\$ 175,473
2020	282,171	116,223
2021	122,744	61,671
2022	84,716	23,224
2023	3,250	-
	<u>\$ 492,881</u>	<u>\$ 376,591</u>

For the years ended December 31, 2019 and 2018, approximately \$433,000 and \$328,000 of these net assets with donor restrictions are restricted for student tuitions.

**5. Related Party**

The Fund maintains accounts at a bank at which one member of the Board of Directors of the Fund is an officer.

For the years ended December 31, 2019 and 2018, the Fund's grant disbursements aggregated \$530,445 and \$672,688, respectively, to a Kenyan non-governmental organization ("NGO"), related through common board members of the Fund and NGO.

For the years ended December 31, 2019 and 2018, board members contributed \$77,548 and \$80,161, respectively, to the Fund. At December 31, 2019 and 2018, pledges receivable from board members totaled \$32,738 and \$33,171, respectively.

**6. Subsequent Events**

The Fund has evaluated subsequent events for recognition or disclosure through the date these financial statements were available to be issued, May 20, 2020. Except as described below, the Fund has concluded that no subsequent events have occurred that require disclosure.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Fund operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Fund, to date, the Fund is expected to have a reduction in contributions.