

KENYA EDUCATION FUND, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED COMPARITIVE INFORMATION FOR 2019**

KENYA EDUCATION FUND, INC.

**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH SUMMARIZED COMPARATIVE INFORMATION AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2019)**

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial statements:	
Statement of financial position	2
Statement of activities	3
Statement of functional expenses	4
Statement of cash flows	5
Notes to financial statements	6 - 11

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 non-profit organization (the "Fund"), which comprise the statement of financial position as of December 31, 2020 and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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, 2020 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.

Other Matters – Prior Year Financial Statements

We have previously audited the Kenya Education Fund, Inc.'s 2019 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 20, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Nussbaum Berg Klein & Wolpow, CPAs LLP

Melville, New York
November 9, 2021

KENYA EDUCATION FUND, INC.

STATEMENT OF FINANCIAL POSITION

**AS OF DECEMBER 31, 2020
(WITH SUMMARIZED COMPARITIVE INFORMATION AS OF DECEMBER 31, 2019)**

ASSETS

	<u>2020</u>	<u>2019</u>
Assets:		
Cash and cash equivalents	\$ 795,002	\$ 626,179
Pledges receivable, net of allowance for doubtful accounts of \$8,805 and \$10,305 as of December 31, 2020 and 2019, respectively	<u>198,356</u>	<u>218,298</u>
Total assets	<u>\$ 993,358</u>	<u>\$ 844,477</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 17,856	\$ 20,320
Long-term liabilities:		
Paycheck Protection Program loan	<u>19,644</u>	<u>-</u>
Total liabilities	<u>37,500</u>	<u>20,320</u>
Net assets:		
Without donor restrictions	509,949	426,218
With donor restrictions	<u>445,909</u>	<u>397,939</u>
Total net assets	<u>955,858</u>	<u>824,157</u>
Total liabilities and net assets	<u>\$ 993,358</u>	<u>\$ 844,477</u>

See notes to financial statements.

KENYA EDUCATION FUND, INC.

STATEMENT OF ACTIVITIES

**FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED
DECEMBER 31, 2019)**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues and other support:				
Contributions	\$ 475,501	\$ 102,449	\$ 577,950	\$ 556,432
Special events, net of direct event expenses of \$500	8,675	-	8,675	93,030
Interest	6,561	-	6,561	9,489
Small Business Administration Economic Injury Disaster Loan grant income	1,000	-	1,000	-
Net assets released from donor restrictions	<u>54,479</u>	<u>(54,479)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>546,216</u>	<u>47,970</u>	<u>594,186</u>	<u>658,951</u>
Expenses:				
Program services	379,989	-	379,989	589,861
Management and general	41,217	-	41,217	42,108
Fund raising	<u>41,279</u>	<u>-</u>	<u>41,279</u>	<u>50,708</u>
Total expenses	<u>462,485</u>	<u>-</u>	<u>462,485</u>	<u>682,677</u>
Change in net assets	83,731	47,970	131,701	(23,726)
Net assets, beginning of year	<u>426,218</u>	<u>397,939</u>	<u>824,157</u>	<u>847,883</u>
Net assets, end of year	<u>\$ 509,949</u>	<u>\$ 445,909</u>	<u>\$ 955,858</u>	<u>\$ 824,157</u>

See notes to financial statements.

KENYA EDUCATION FUND, INC.

STATEMENT OF FUNCTIONAL EXPENSES

**FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH SUMMARIZED COMPARITIVE INFORMATION AS OF DECEMBER 31, 2019)**

	<u>2020</u>			<u>Total</u>	<u>2019</u>
	<u>Program Services</u>	<u>Supporting Services Management and General</u>	<u>Fund Raising</u>		<u>Total</u>
Grants	\$ 328,102	\$ -	\$ -	\$ 328,102	\$ 530,445
Salaries	43,312	8,662	34,650	86,624	87,588
Payroll taxes	3,314	663	2,651	6,628	6,702
Employee benefits	387	77	309	773	340
Professional fees	-	27,388	-	27,388	33,500
Office	4,333	2,210	2,299	8,842	12,430
Auto expense	-	-	94	94	-
Marketing	-	-	697	697	1,432
Insurance	-	2,185	115	2,300	2,300
Travel and meals	541	32	64	637	7,070
New York filing fee	-	-	400	400	870
	<u>\$ 379,989</u>	<u>\$ 41,217</u>	<u>\$ 41,279</u>	<u>\$ 462,485</u>	<u>\$ 682,677</u>

See notes to financial statements.

KENYA EDUCATION FUND, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED
DECEMBER 31, 2019)

	<u>2020</u>	<u>2019</u>
Operating activities:		
Change in net assets	\$ 131,701	\$ (23,726)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Changes in operating assets and liabilities:		
Pledges receivable	19,942	(29,620)
Other assets	-	2,250
Accounts payable and accrued expenses	<u>(2,464)</u>	<u>2,938</u>
Net cash provided by (used in) operating activities	149,179	(48,158)
Financing activities:		
Proceeds from Paycheck Protection Program loan	<u>19,644</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	168,823	(48,158)
Cash and cash equivalents, beginning of year	<u>626,179</u>	<u>674,337</u>
Cash and cash equivalents, end of year	<u>\$ 795,002</u>	<u>\$ 626,179</u>

See notes to financial statements.

KENYA EDUCATION FUND, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED
DECEMBER 31, 2019)

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

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Accordingly, such information should be read in conjunction with the audited financial statements for the year ended December 31, 2019, from which the summarized information was derived.

COVID-19 Pandemic

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 expecting an increase in contributions for the year ended December 31, 2021. In addition, the Fund has received two Paycheck Protection Program ("PPP") loans in order to mitigate negative impacts of the COVID-19 pandemic. Refer to Note 5.

KENYA EDUCATION FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED
DECEMBER 31, 2019)**

2. Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The financial statements of the Fund are prepared on the accrual method of accounting in accordance with U.S. GAAP.

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 \$902,000 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 \$795,002, and pledges receivable due in less than one year of \$106,850. Of these, \$445,909 are subject to donor restrictions. Management has a goal to maintain financial assets, which consist of cash, pledges receivable, and other assets, to meet student school fees for all active students until graduation, which totals approximately \$433,000 through 2023.

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.

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 \$8,805 and \$10,305 as of December 31, 2020 and 2019, respectively.

KENYA EDUCATION FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED
DECEMBER 31, 2019)**

2. Summary of Significant Accounting Policies (Continued)

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.

Advertising and Promotional Expenses

Advertising and promotional costs are expensed as incurred and totaled \$697 and \$1,432 for the years ended December 31, 2020 and 2019, respectively.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

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

KENYA EDUCATION FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED
DECEMBER 31, 2019)**

2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

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.

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.

KENYA EDUCATION FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED
DECEMBER 31, 2019)**

2. Summary of Significant Accounting Policies (Continued)

Adopted Accounting Pronouncement

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's adoption of ASU 2018-13 during 2020 did not have a material impact on the Fund's financial statements.

Reclassifications

Certain balances from December 31, 2019 have been reclassified to conform to the current year presentation.

3. Pledges Receivable

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

	2020	2019
Amounts due in less than one year	\$ 106,850	\$ 119,013
Amounts due in one to three years	104,000	113,494
	210,850	232,507
Less: allowance for doubtful contributions	(8,805)	(10,305)
Less: discount to present value	(3,689)	(3,904)
	(12,494)	(14,209)
	\$ 198,356	\$ 218,298

Contributions receivable have been discounted over the payment period using a discount rate of 1.10% and 2.62% at December 31, 2020 and 2019, respectively.

4. Net Assets With Donor Restrictions

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

Year ended December 31,	2020	2019
2020	\$ -	\$ 187,229
2021	244,146	122,744
2022	118,500	84,716
2023	83,263	3,250
	\$ 445,909	\$ 397,939

For the years ended December 31, 2020 and 2019, approximately \$433,000 and \$388,000 of these net assets with donor restrictions are restricted for student tuitions.

KENYA EDUCATION FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED
DECEMBER 31, 2019)**

5. Loans Payable

Paycheck Protection Program Loan

On March 27, 2020, the President signed into law the Coronavirus Aid, Relief, and Economic Security Act commonly referred to as the CARES Act. One component of the CARES Act was the PPP, which provides small businesses with the resources needed to maintain their payroll and cover applicable overhead. The PPP is implemented by the Small Business Administration (“SBA”) with support from the Department of the Treasury. The PPP provides funds to pay up to twenty-four weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities.

In April 2020, the Fund applied for and received a loan in the amount of \$19,644 pursuant to the PPP administered by the SBA through its bank. The loan bears interest at 1% per annum, matures in April 2022 and contains no collateral or guarantee requirements. For purposes of derecognition or forgiveness of the liability, FASB ASC 470-50-40-1 refers to guidance in FASB ASC 405-20. Based on the guidance in FASB ASC 405-20-40-1, the proceeds from the loan would remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and the debtor has been “legally released” or (2) the debtor pays off the loan to the creditor. Once the loan is, in part or wholly, forgiven and legal release is received, the Fund will reduce the liability by the amount forgiven and record a gain on extinguishment. In April 2021, the Fund applied for and received full forgiveness of the PPP loan.

Additionally, in February 2021, the Fund applied for and received a second PPP loan in the amount of \$19,427. The loan bears interest at 1% per annum, matures in February 2026 and contains no collateral or guarantee requirements. In accordance with FASB ASC 855, these loan proceeds are not reflected within the Funds financial statements as of and for the year ended December 31, 2020. The Fund intends to apply and receive full forgiveness on this loan in 2021.

6. 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, 2020 and 2019, the Fund’s grant disbursements aggregated \$328,102 and \$530,445, respectively, to a Kenyan non-governmental organization (“NGO”), related through common board members of the Fund and NGO.

For the years ended December 31, 2020 and 2019, board members contributed \$53,289 and \$77,548, respectively, to the Fund. At December 31, 2020 and 2019, pledges receivable from board members totaled \$18,619 and \$32,738, respectively.

7. Subsequent Events

The Fund has evaluated subsequent events for recognition or disclosure through the date these financial statements were available to be issued, November 9, 2021. Except as described in Note 5, the Fund has concluded that no subsequent events have occurred that require disclosure.