

CAROLINA FOR KIBERA, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2015

CAROLINA FOR KIBERA, INC.

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ROBERSON CPA FIRM, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Carolina for Kibera, Inc.

We have audited the accompanying financial statements of Carolina for Kibera, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditor's 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Carolina for Kibera, Inc. as of June 30, 2015, 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.

Roberson CPA Firm, PLLC

Durham, North Carolina
February 18, 2016

CAROLINA FOR KIBERA, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2015

ASSETS

CURRENT ASSETS

Cash	\$ 1,284,802
Donated assets for transfer	27,450
Grants receivable	198,257
Prepaid expenses	<u>7,500</u>

TOTAL CURRENT ASSETS 1,518,009

INVESTMENTS 1,430,970

FIXED ASSETS, net 2,424

\$ 2,951,403

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 2,851
Accrued payroll taxes and withholdings	<u>2,308</u>

TOTAL CURRENT LIABILITIES 5,159

NET ASSETS

Unrestricted	1,315,909
Temporarily restricted	475,152
Permanently restricted	<u>1,155,183</u>

2,946,244

\$ 2,951,403

See accompanying notes.

CAROLINA FOR KIBERA, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT				
Contribution income	\$ 646,937	\$ 310,588	\$ 21,784	\$ 979,309
Donated services	29,225	-	-	29,225
Interest income	698	-	-	698
Investment return - payout	68,215	-	-	68,215
Realized gain on endowment	28,805	-	-	28,805
Unrealized gain on endowment	29,066	-	-	29,066
Net assets released from restrictions	267,861	(267,861)	-	-
	<u>1,070,807</u>	<u>42,727</u>	<u>21,784</u>	<u>1,135,318</u>
EXPENSES				
Program services	760,786	-	-	760,786
Supporting services				
Management and general	69,443	-	-	69,443
Fund-raising	96,484	-	-	96,484
	<u>926,713</u>	<u>-</u>	<u>-</u>	<u>926,713</u>
CHANGE IN NET ASSETS	144,094	42,727	21,784	208,605
NET ASSETS - beginning of year	<u>1,171,815</u>	<u>432,425</u>	<u>1,133,399</u>	<u>2,737,639</u>
NET ASSETS - end of year	<u><u>\$ 1,315,909</u></u>	<u><u>\$ 475,152</u></u>	<u><u>\$ 1,155,183</u></u>	<u><u>\$ 2,946,244</u></u>

See accompanying notes.

CAROLINA FOR KIBERA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2015

	Supporting Services			Total Expenses
	Program Services	Management and General	Fund-raising	
Salaries and related expenses				
Salaries	\$ 57,531	\$ 28,293	\$ 61,356	\$ 147,180
Benefits	7,292	2,431	2,431	12,154
Payroll taxes	4,263	2,118	4,648	11,029
TOTAL SALARIES AND RELATED EXPENSES	69,086	32,842	68,435	170,363
Accounting fees	-	12,401	-	12,401
Annual report	1,445	-	1,445	2,890
Bank fees	-	5,284	-	5,284
Computer expenses	105	278	-	383
Conferences and meetings	211	211	-	422
Database	532	-	532	1,064
Food	996	864	-	1,860
Grants to Kenya	586,415	-	-	586,415
Grants to others	36,550	-	-	36,550
Insurance	1,536	1,536	-	3,072
Investment fees	-	2,724	-	2,724
Legal fees	-	1,717	-	1,717
License and registrations	-	225	875	1,100
Miscellaneous	21	-	1,500	1,521
Outside contract services	14,573	2,745	5,392	22,710
Payroll fees	695	71	86	852
Postage and shipping	4,772	431	4,341	9,544
Printing	6,501	238	6,382	13,121
Recruitment and development	287	115	-	402
Rent, parking and utilities	1,307	2,392	-	3,699
Student fellowships	2,000	-	-	2,000
Supplies	1,589	1,954	2,005	5,548
Telephone and internet	1,537	344	212	2,093
Travel	27,749	1,850	5,147	34,746
Website	1,221	1,221	132	2,574
	690,042	36,601	28,049	754,692
TOTAL EXPENSES BEFORE DEPRECIATION	759,128	69,443	96,484	925,055
Depreciation	1,658	-	-	1,658
	\$ 760,786	\$ 69,443	\$ 96,484	\$ 926,713

See accompanying notes.

CAROLINA FOR KIBERA, INC.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 208,605
Adjustments to reconcile increase in net assets to net cash provided for operating activities:	
Depreciation	1,658
Unrealized gain on endowment	(29,066)
(Increase) decrease in:	
Accounts receivable	10,000
Donated assets for transfer	(27,450)
Grant receivable	(30,258)
Prepaid expenses	1,500
Increase (decrease) in:	
Accounts payable	2,853
Accrued payroll taxes and withholding	(1,747)
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	136,095
CASH FLOWS FROM INVESTING ACTIVITIES	
Payout from endowment	68,215
Purchase of marketable securities	(21,784)
Reinvested earnings on endowment	(94,297)
Purchase of property and equipment	(913)
	<hr/>
NET CASH USED BY INVESTING ACTIVITIES	(48,779)
NET INCREASE IN CASH	87,316
CASH - beginning of year	<hr/> 1,197,486
CASH - end of year	<hr/> <hr/> \$ 1,284,802

See accompanying notes.

CAROLINA FOR KIBERA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Carolina for Kibera, Inc. is a nonprofit corporation organized under the laws of the State of North Carolina on April 23, 2001. The Organization's purpose is to serve as a granting organization to CFK-Kenya, a non-governmental organization in Kenya. CFK-Kenya promotes youth leadership and ethnic and gender cooperation in Kibera, a slum area in Nairobi, through youth sports, young women's empowerment, and community development. The Organization also works to improve basic healthcare, sanitation, and education in Kibera. The Organization is supported through public contributions.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles; consequently, revenues are recognized when earned and expenses are recognized when incurred.

Investments

The Organization is required by FASB ASC 958-302 "Accounting for Certain Investments Held by Not-for Profit Organizations" to report marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and loss are included in the change in net assets.

The fair values of long-term investments are based on quoted market prices for those or similar investments. Investments are held and managed by the University of North Carolina at Chapel Hill.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities that are not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

The Organization's Form 990, Return of Organization Exempt from Income Tax, for the years ending 2012, 2013, and 2014 are subject to examination by the IRS, generally for three years after they were filed.

CAROLINA FOR KIBERA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash

Cash and cash equivalents include cash and highly liquid short-term investments, with an original maturity of three months or less.

Contributions

In accordance with FASB ASC 958-605, Accounting for Contributions Received and Contributions Made, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Property and Equipment

All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which are 5-10 years for equipment, vehicles and furniture.

Net Assets

The Organization reports its net assets, revenues, expenses, and gains and losses based on the existence or absence of donor-imposed restrictions. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets; temporarily restricted net assets; and permanently restricted net assets.

Functional Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

CAROLINA FOR KIBERA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Organization adopted the provisions of FASB ASC 820-10, "Fair Value Measurements and Disclosures" (formerly SFAS 157), for fair value measurements. FASB ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. FASB ASC 820 establishes a framework for measuring fair value and expands disclosures about fair value measurements.

ASC 820 establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: One or more significant inputs or significant value drivers are unobservable or based on market assumptions.

The Organization uses only Level 1 inputs in its fair value measurement.

Subsequent Events

Subsequent events have been evaluated through February 18, 2016, the date of the issuance of the Organization's financial statements.

NOTE B – CONCENTRATION OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Organization maintains its cash balances at financial institutions located in Chapel Hill, North Carolina. Accounts at two of these financial institutions are insured by the Federal Deposit Insurance Company up to \$250,000. At June 30, 2015, the Organization's uninsured cash balances total \$788,422. The organization has not experienced any losses with these accounts.

NOTE C – RELATED ENTITIES

The Organization is affiliated with the University of North Carolina at Chapel Hill. Under the agreement the University will provide staffing assistance, office space, investment management services and daily accounting services at no charge. Carolina for Kibera, Inc. must maintain its state nonprofit and tax exempt status, conduct activities that are in line with the mission of the University and follow the University's accounting policies which include having an annual audit performed.

CAROLINA FOR KIBERA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE D – FIXED ASSETS

Fixed assets at June 30, 2015 consisted of the following:

Equipment	\$	9,585
Less accumulated depreciation		<u>(7,161)</u>
	\$	<u>2,424</u>

Depreciation expense was \$1,658 for the year ending June 30, 2015.

NOTE E– RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are restricted by grant agreements or individual donors at the time the donation is made and are available for supporting CFK-Kenya's Binti Pamoja - Empowering Adolescent Girls in Kibera Slum and related capital expenditures, and Community Health in Kibera: Child Survival & Maternal Health programs in the amount of \$475,152 as of June 30, 2015.

Permanently restricted net assets consist of donor restricted funds that are to be held indefinitely, the earnings on the donor restricted funds are expendable for general operating purposes in the future. Permanently restricted net assets are available for the Endowment account in the amount of \$1,155,183 as of June 30, 2015.

NOTE F – DONATED MATERIALS AND SERVICES

For the year ending June 30, 2015 donated professional services were recognized and recorded by the Organization as contributions in the amount of \$1,717. In accordance with FASB ASC Topic 958-605, the donated services for legal fees were performed by professionals with skills that otherwise would have been purchased by the Organization.

The Organization has received approximately 1,490 volunteer hours for the year ending June 30, 2015. No amounts have been reflected in the financial statements for these hours where no objective basis is available to measure the value of such services.

NOTE G - UNCONDITIONAL PROMISES TO GIVE

The Organization receives grant awards which are recorded as grants receivable in the year the grant is awarded. The grants are awarded to the Organization to fund programs and services which are in accordance with the Organization's mission. Some of these grant awards consist of multi-year

CAROLINA FOR KIBERA, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE G - UNCONDITIONAL PROMISES TO GIVE (Continued)

periods. The Organization recognizes grants as contributions when the grant is awarded and are, in substance, unconditional. Unconditional promises to give consist of grants receivable in less than one year totaling \$198,257 at June 30, 2015.

Due to the certainty of the collection of the grant receivables in the near term, the Organization's management has not deemed any amount uncollectible nor has it calculated a discount to net present value.

NOTE H – INVESTMENTS

Investments are carried on the books at fair value as follows:

	<u>Cost</u>	<u>Market</u>	<u>Carrying Value</u>
Pooled endowment fund	\$ 1,357,493	\$ 1,430,970	\$ 1,430,970

NOTE I – ENDOWMENT ACCOUNT

Donor-designated Endowments (UPMIFA state)

The Organization's endowment consists of a pooled endowment account established for specific purposes as restricted by the donor. Its endowment balance includes only donor-restricted endowments. As required by accounting principles generally accepted in the United States of America, net assets, associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of Carolina for Kibera, Inc. requires donor-restricted endowment funds to include the original value of gifts donated to the endowment account that are restricted by the donor. They consider earnings on the endowment account to be unrestricted.

Management has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets. In accordance with SPMIFA,

NOTE I– ENDOWMENT ACCOUNT (Continued)

the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies

Carolina For Kibera, Inc. has elected to invest in The University of North Carolina at Chapel Hill Foundation Investment Fund, Inc. (“Chapel Hill Investment Fund” or “CHIF”), a commingled investment vehicle established for The University of North Carolina at Chapel Hill Endowment Fund and other foundations and endowments affiliated with The University of North Carolina at Chapel Hill. By electing to invest in the Chapel Hill Investment Fund, the Organization has agreed to follow the investment policies and procedures set forth by the CHIF. The Chapel Hill Investment Fund invests its assets in the UNC Investment Fund, LLC (UNCIF). UNCIF employs a multi-asset class, multi-strategy investment approach to provide broad diversification, consistent returns and growth in spending and market value. The four primary investment goals and objectives of the UNCIF are:

1. To preserve the real (net of inflation) purchasing power of the UNCIF while providing a predictable, stable and constant (in real terms) stream of earnings.
2. To earn an annualized real total rate of return of at least 5.5 percent per year, net of all fees and expenses, over the long term.
3. To earn an annual rate of return, net of all fees, that exceeds the Strategic Investment Policy Portfolio (“SIPP”).
4. To earn a rate of return that places the Fund among the top third of university endowment funds as ranked by the National Association of College and University Business Officers (“NACUBO”).

The Board of Directors of Carolina For Kibera, Inc. requires donor-restricted endowment funds to include the original value of gifts donated to the endowment account that are restricted by the donor. They consider earnings on the endowment account to be unrestricted.

Additionally, the Organization has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets over the long-term.

CAROLINA FOR KIBERA, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE I – ENDOWMENT ACCOUNT (Continued)

Spending Policies

Each year, the organization may take a distribution of at least 4% to a maximum distribution of 7% of the Fund's estimated market value at the Fund's fiscal year end. The investment return on the endowment account is treated as unrestricted income and the payout from the endowment account is received at the end of the Fund's fiscal year from the unrestricted portion.

Endowment Net Asset Composition by Fund Type as of June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Total
Donor-restricted endowment funds	\$ 62,526	\$ -	\$ 1,155,183	\$ 1,217,709
Board-designated endowment funds	<u>213,261</u>	<u>-</u>	<u>-</u>	<u>213,261</u>
Endowment net assets, end of period	<u>\$ 275,787</u>	<u>\$ -</u>	<u>\$ 1,155,183</u>	<u>\$ 1,430,970</u>

Changes in endowment net assets as of June 30, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Total
Endowment net assets, beginning of period	\$ 220,640	\$ -	\$ 1,133,399	\$ 1,354,039
Contributions	-	-	21,784	21,784
Payout received	68,215	-	-	68,215
Payout - transfer out	(68,215)	-	-	(68,215)
Realized gain	28,805	-	-	28,805
Investment fees	(2,724)	-	-	(2,724)
Unrealized gain	29,066	-	-	29,066
Endowment net assets, end of period	<u>\$ 275,787</u>	<u>\$ -</u>	<u>\$ 1,155,183</u>	<u>\$ 1,430,970</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with the permanently restricted portion of the endowment funds may fall below the donor contributed portion of the endowment. As of June 30, 2015, the permanently restricted portion of the donor-restricted endowment fund is not deficient.

CAROLINA FOR KIBERA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE J - SUBSEQUENT EVENTS

Investment account statements are prepared and provided to Carolina For Kibera, Inc. at the end of each month for the previous months closing balance. As of December 31, 2015, the latest period reported on, the fair market value of the endowment account is \$1,402,799. There has been depreciation of \$28,171 in fair market value for the endowment account since June 30, 2015.