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CAROLINA FOR KIBERA, INC.

Financial Statements

June 30, 2019 and 2018

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The Board of Directors
Carolina for Kibera, Inc.
Chapel Hill, North Carolina

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Carolina for Kibera, Inc. (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, 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 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 audits 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, 2019 and 2018, 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.

Koonce, Wooten + Haywood, LLP

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STATEMENTS OF FINANCIAL POSITION

CAROLINA FOR KIBERA, INC.
 Statements of Financial Position
 June 30, 2019 and 2018

ASSETS

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
CURRENT ASSETS:			
Cash	\$ 1,061,681	\$ 98,854	\$ 1,160,535
Promises to Give	20,000	100,000	120,000
Accrued Investment Income	1,637		1,637
Total Current Assets	1,083,318	198,854	1,282,172
PROPERTY AND EQUIPMENT:			
Furniture and Equipment	4,901		4,901
Software	1,044		1,044
Subtotal	5,945		5,945
Less: Accumulated Depreciation	5,306		5,306
Net Property and Equipment	639		639
OTHER ASSETS:			
Investments	230,442	1,334,970	1,565,412
Promises to Give, Net of Current Portion	5,000	100,000	105,000
Total Other Assets	235,442	1,434,970	1,670,412
Total Assets	\$ 1,319,399	\$ 1,633,824	\$ 2,953,223

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:			
Accounts Payable	\$ 923	\$	\$ 923
Accrued Vacation, Payroll Taxes and Liabilities	4,818		4,818
Total Current Liabilities	5,741		5,741
NET ASSETS:	1,313,658	1,633,824	2,947,482
Total Liabilities and Net Assets	\$ 1,319,399	\$ 1,633,824	\$ 2,953,223

The accompanying notes are an integral part of the financial statements.

2018		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 1,020,803	\$ 258,339	\$ 1,279,142
37,450		37,450
8,683		8,683
<u>1,066,936</u>	<u>258,339</u>	<u>1,325,275</u>
5,814		5,814
<u>1,044</u>		<u>1,044</u>
6,858		6,858
<u>5,594</u>		<u>5,594</u>
<u>1,264</u>		<u>1,264</u>
224,915	1,302,954	1,527,869
<u>15,000</u>		<u>15,000</u>
<u>239,915</u>	<u>1,302,954</u>	<u>1,542,869</u>
<u>\$ 1,308,115</u>	<u>\$ 1,561,293</u>	<u>\$ 2,869,408</u>
\$ 1,884	\$	\$ 1,884
<u>5,989</u>		<u>5,989</u>
<u>7,873</u>		<u>7,873</u>
<u>1,300,242</u>	<u>1,561,293</u>	<u>2,861,535</u>
<u>\$ 1,308,115</u>	<u>\$ 1,561,293</u>	<u>\$ 2,869,408</u>

STATEMENTS OF ACTIVITIES

CAROLINA FOR KIBERA, INC.
 Statements of Activities
 For the Years Ended June 30, 2019 and 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions	\$ 542,204	\$ 298,854	\$ 841,058
In-Kind Contributions	2,869		2,869
Net Investment Income	14,231		14,231
Investment Return--Payout	73,151		73,151
Unrealized Gain on Endowment	11,924	32,016	43,940
Net Assets Released from Restrictions:			
Satisfaction of Program and Timing Restrictions	258,339	(258,339)	
Total Support and Revenue	<u>902,718</u>	<u>72,531</u>	<u>975,249</u>
EXPENSES:			
Program Service	<u>691,933</u>		<u>691,933</u>
Support Services:			
Management and General	93,561		93,561
Fundraising	<u>103,808</u>		<u>103,808</u>
Total Support Service	<u>197,369</u>		<u>197,369</u>
Total Expenses	<u>889,302</u>		<u>889,302</u>
CHANGES IN NET ASSETS	13,416	72,531	85,947
NET ASSETS--Beginning of Year	<u>1,300,242</u>	<u>1,561,293</u>	<u>2,861,535</u>
NET ASSETS--End of Year	<u>\$ 1,313,658</u>	<u>\$ 1,633,824</u>	<u>\$ 2,947,482</u>

The accompanying notes are an integral part of the financial statements.

2018		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 597,185	\$ 4,589	\$ 601,774
5,433		5,433
71,833		71,833
20,552	85,181	105,733
<u>160,087</u>	<u>(160,087)</u>	
<u>855,090</u>	<u>(70,317)</u>	<u>784,773</u>
<u>554,919</u>		<u>554,919</u>
83,220		83,220
<u>90,454</u>		<u>90,454</u>
<u>173,674</u>		<u>173,674</u>
<u>728,593</u>		<u>728,593</u>
126,497	(70,317)	56,180
<u>1,173,745</u>	<u>1,631,610</u>	<u>2,805,355</u>
<u>\$ 1,300,242</u>	<u>\$ 1,561,293</u>	<u>\$ 2,861,535</u>

STATEMENTS OF FUNCTIONAL EXPENSES

CAROLINA FOR KIBERA, INC.
Statements of Functional Expenses
For the Years Ended June 30, 2019 and 2018

	2019			
	Program Services	Support Services		Total
		Management and General	Fundraising	
Salaries	\$ 82,693	\$ 41,806	\$ 48,468	\$ 172,967
Payroll Taxes	6,186	3,128	3,626	12,940
Employee Benefits	2,542	1,289	1,140	4,971
Total Salaries and Related Expenses	<u>91,421</u>	<u>46,223</u>	<u>53,234</u>	<u>190,878</u>
Grants to Kenya	550,000			550,000
Contract Services	9,014	8,139	25,729	42,882
Travel	23,246	830	13,855	37,931
Professional Fees	800	12,843	1,200	14,843
Development Fees		6,030		6,030
Website	2,846	2,276	569	5,691
Rent, Parking and Utilities	2,661	2,662		5,323
Payroll, Bank, and Processing Fees		4,516		4,516
Computer Expenses		4,386		4,386
Annual Report	1,577		2,365	3,942
Printing	2,346	782	782	3,910
Fundraising and Events			3,592	3,592
Insurance	1,612	1,612		3,224
Supplies	2,869	127	23	3,019
Miscellaneous	609	431	1,299	2,339
Food	1,104	883	221	2,208
Postage and Shipping	962	481	481	1,924
License and Registrations		372	400	772
Recruitment and Development	460	227		687
Depreciation		625		625
Telephone and Internet	406	116	58	580
Grants to Others				
Total Expenses	<u>\$ 691,933</u>	<u>\$ 93,561</u>	<u>\$ 103,808</u>	<u>\$ 889,302</u>

The accompanying notes are an integral part of the financial statements.

2018			
Support Services			
Program Services	Management and General	Fundraising	Total
\$ 88,552	\$ 43,309	\$ 65,797	\$ 197,658
6,774	3,313	5,033	15,120
5,911	3,125	1,487	10,523
<u>101,237</u>	<u>49,747</u>	<u>72,317</u>	<u>223,301</u>
406,884			406,884
4,059	3,280	4,589	11,928
20,917	84	1,638	22,639
	11,840		11,840
		100	100
1,095		122	1,217
2,469	2,469		4,938
	5,116		5,116
	2,941		2,941
1,200		1,800	3,000
1,663	540	4,499	6,702
		1,809	1,809
1,674	1,674		3,348
	1,646	590	2,236
2,810	138	1,045	3,993
482	499	96	1,077
1,981	991	991	3,963
	565	460	1,025
817	97	165	1,079
	1,127		1,127
1,631	466	233	2,330
<u>6,000</u>			<u>6,000</u>
<u>\$ 554,919</u>	<u>\$ 83,220</u>	<u>\$ 90,454</u>	<u>\$ 728,593</u>

CAROLINA FOR KIBERA, INC.
 Statements of Cash Flows
 For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	\$ 85,947	\$ 56,180
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	625	1,127
Unrealized Gain on Endowment	(43,940)	(105,733)
Changes in Assets and Liabilities:		
Accrued Investment Income	7,046	(8,683)
Promises to Give	(172,550)	113,050
Prepaid Expenses		7,965
Accounts Payable	(961)	(3,453)
Accrued Payroll Taxes and Liabilities	(1,171)	(909)
Net Cash Provided (Used) by Operating Activities	<u>(125,004)</u>	<u>59,544</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payout from Endowment	73,151	71,833
Reinvested Earnings on Endowment	(66,754)	(65,809)
Purchases of Property and Equipment		
Net Cash Provided by Investing Activities	<u>6,397</u>	<u>6,024</u>
NET INCREASE (DECREASE) IN CASH	(118,607)	65,568
CASH--Beginning of Year	<u>1,279,142</u>	<u>1,213,574</u>
CASH--End of Year	<u>\$ 1,160,535</u>	<u>\$ 1,279,142</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
In-Kind Contributions	\$ 2,869	\$

The accompanying notes are an integral part of the financial statements.

CAROLINA FOR KIBERA, INC.
Notes to Financial Statements
June 30, 2019 and 2018

1. Organization and Summary of Significant Accounting Policies

A. Organization and Purpose:

Carolina for Kibera, Inc. (the Organization) is a North Carolina non-profit organization incorporated 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 works with people in all stages of life to offer quality primary healthcare services and coordinated educational programs, with special attention to girls, that lead to improved social and economic futures. The Organization is supported through public contributions.

B. Adoption of New Accounting Pronouncement:

For the year ended June 30, 2019, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. A key change required by ASU 2016-14 is the net asset classes used in these financial statements wherein amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. The changes required by the update have been applied retrospectively to all periods presented.

C. Basis of Accounting and Presentation:

The accompanying financial statements have been, in all material respects, prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting standards. Net assets and support, revenue, expenses, gains, and losses are classified based on existence or absence of externally-imposed restrictions. The Organization follows standards for external financial reporting by not-for-profit organizations that requires its resources be classified for accounting and reporting purposes into two net asset categories according to externally-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions--Net assets that are not subject to donor-imposed stipulations and are available for use by the Board and/or management for general operating purposes. From time to time the Board may designate a portion of these net assets for specific purposes or uses under various internal operating budgets or for board designated purposes which makes them unavailable for use at management's discretion.

Net Assets With Donor Restrictions--Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time or are to be maintained permanently by the Organization.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board approved spending policy. The Organization currently has assets of \$1,172,000 for the years ended June 30, 2019 and 2018, respectively, to be maintained in perpetuity as stipulated by the donors.

CAROLINA FOR KIBERA, INC.
Notes to Financial Statements
June 30, 2019 and 2018

1. Organization and Summary of Significant Accounting Policies (Continued)

D. Accounting Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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. Significant estimates and assumptions are used for, but not limited to, the fair value of investments and in-kind contributions, depreciable lives of property and equipment, and functional allocation of expenses.

E. Promises to Give:

The Organization recognizes as revenues contributions received and made, including unconditional, legally enforceable promises to give, in the period in which the Organization is notified that the donor has made a promise to give. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designed for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases that net asset class. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Unconditional promises to give are recorded net of an allowance for uncollectible promises. The allowance is based on management's analysis of specific promises to give and current economic conditions.

Conditional promises to give are recognized when the conditions on which they depend are substantially met.

F. Investments:

Investments are recorded at fair value. Fair value is based on quoted market prices when available. Unrealized gains and losses are included in the changes in net assets.

The fair value 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.

G. Property and Equipment:

Property and equipment is recorded at cost if purchased or at fair value if donated at the date of donation. A capitalization threshold of \$500 is utilized. Expenditures for repairs and maintenance are charged against operations. Depreciation is provided using the straight-line method over estimated useful lives ranging from five to ten years. Depreciation expense for the years ended June 30, 2019 and 2018 totaled \$625 and \$1,127, respectively.

H. Support and Revenue Without and With Donor Restrictions:

Contributions of cash and other assets, as well as grants, are recorded as increases in with or without donor restrictions, depending on the existence or nature of any externally-imposed restrictions. When a 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 and reported in the statements of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is presented as an increase in net assets with donor restrictions depending on the nature of the restrictions.

CAROLINA FOR KIBERA, INC.
Notes to Financial Statements
June 30, 2019 and 2018

1. Organization and Summary of Significant Accounting Policies (Concluded)

I. In-Kind Contributions:

The Organization records in-kind contributions of services, materials, and other at their estimated fair values at the date of the contribution.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would otherwise be purchased by the Organization.

The Organization has received approximately 1,100 volunteer hours for the years ending June 30, 2019 and 2018, respectively. No amounts have been reflected in the financial statements for volunteer hours since these services do not meet the requirements for recognition in the financial statements. In addition, the Organization's officers and board of directors serve without compensation.

J. Functional Allocation of Expenses:

The cost of providing the various program and support services of the Organization has been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and support services benefited. Directly identifiable expenses are charged to programs and support services. Expenses attributable to more than one function are generally allocated based on time records and estimates made by management. Support services include expenses which are not directly identifiable with any specific program but provide support for the Organization's overall operations.

K. Income Tax Status:

The Organization is exempt from federal and state income taxes under Section 501(a) of the Internal Revenue Code and is classified under Section 501(c)(3) as a public charity. In addition, the Organization qualifies for deductible contributions under Section 170(b)(1)(A)(vi) of the Internal Revenue Code. Further, the Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a)(1) of the Internal Revenue Code. Accordingly, the accompanying financial statements do not include a provision for income taxes.

The Organization files Form 990 information returns in the U.S. Federal jurisdiction. These returns are subject to examination by the Internal Revenue Service for a period of three years after the respective filing deadlines. The Organization has not been informed by any tax authorities for any jurisdictions that any of its tax years are under examination as of June 30, 2019.

2. Promises to Give

The Organization carries its promises to give at cost. On an annual basis, the Organization evaluates its promises to give and establishes an allowance for uncollectible promises to give based on current economic conditions. Management believes the promises to give will be fully collected. Therefore, there is no allowance on the promises to give balance.

Promises to give consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Promises to Give	\$ 225,000	\$ 52,450
Less: Current Portion	<u>120,000</u>	<u>37,450</u>
Amounts Due After One Year	<u>\$ 105,000</u>	<u>\$ 15,000</u>

CAROLINA FOR KIBERA, INC.
Notes to Financial Statements
June 30, 2019 and 2018

2. Promises to Give (Continued)

Promises to give are projected to be collected as follows:

	<u>2019</u>	<u>2018</u>
Amounts due in less than one year	\$ 120,000	\$ 37,450
Amounts due in one to five years	<u>105,000</u>	<u>15,000</u>
	<u>\$ 225,000</u>	<u>\$ 52,450</u>

3. Investments

Investments consist of the following at June 30, 2019 and 2018:

	<u>Historical Cost</u>	<u>Market Value</u>
<u>June 30, 2019:</u>		
UNC Investment Fund	\$ <u>1,374,311</u>	\$ <u>1,565,412</u>
<u>June 30, 2018:</u>		
UNC Investment Fund	\$ <u>1,374,311</u>	\$ <u>1,527,869</u>

4. Fair Value Measurements

The Organization follows ASC 820, *Fair Value Measurements and Disclosures*, with respect to fair value measurements of its financial assets and financial liabilities. This standard defines fair value as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The standard also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

The hierarchy is broken down into three levels. Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for the Organization's assets measured at fair value in the accompanying financial statements. There have been no changes in the methodologies used at June 30, 2019 and 2018.

- ***Investment with UNC Investment Fund***

Investments held with and managed by the UNC Chapel Hill Foundation are valued at confirmed amounts with the fund and are considered to be Level 2 investments.

CAROLINA FOR KIBERA, INC.
Notes to Financial Statements
June 30, 2019 and 2018

4. Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the fair value of the Organization's investments measured on a recurring basis at June 30, 2019 and 2018:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 2)
<u>June 30, 2019:</u>		
Investments	\$ <u>1,565,412</u>	\$ <u>1,565,412</u>
<u>June 30, 2018:</u>		
Investments	\$ <u>1,527,869</u>	\$ <u>1,527,869</u>

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

5. Retirement Plan

Effective September 2017, the Organization established a Simple IRA retirement plan for its eligible employees. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. All participant contributions are immediately fully vested. The Organization matches up to 3% of the employees' retirement contributions. Contributions made by the Organization on behalf of its eligible employees were \$2,721 and \$4,373 for the years ended June 30, 2019 and 2018, respectively.

6. Related Entities

The Organization is affiliated with the University of North Carolina at Chapel Hill. Under an agreement, the University provides staffing assistance, office space, investment management services and daily accounting services for \$6,000 for the year ended June 30, 2019 and at no charge for the year ended June 30, 2018. 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.

7. Cash and Concentration of Credit Risk

Cash at June 30, 2019 and 2018, includes the following amounts:

	2019	2018
University of North Carolina Investment Pool	\$ 1,064,284	\$ 997,902
Financial Institutions	96,251	281,240
	\$ 1,160,535	\$ 1,279,142

CAROLINA FOR KIBERA, INC.
Notes to Financial Statements
June 30, 2019 and 2018

7. Cash and Concentration of Credit Risk (Continued)

It is the State Treasurer's policy and practice for deposits not covered by federal depository insurance to be covered by collateral held by the State of North Carolina's agent in the name of the State and for the investments to be held by the State's agent in the State's name. Cash balances in the financial institution are insured up to \$250,000. At June 30, 2019, the Organization had no uninsured cash balances. At June 30, 2018, the Organization's uninsured cash balances were \$31,205.

8. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2019 and 2018 were available for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Purpose Restricted:		
Girls Empowerment Project	\$ 297,931	\$
Lishe Bora Mtaani Nutrition Center		253,750
Various Projects in Kenya	923	4,589
Time Restricted:		
Unappropriated unrestricted earnings on endowment funds	162,970	130,954
To be maintained in perpetuity	1,172,000	1,172,000
	<u>\$ 1,633,824</u>	<u>\$ 1,561,293</u>

9. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of passage of time or other events specified by donors. The net assets released from restrictions for the years ended June 30, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Lishe Bora Mtaani Nutrition Center	\$ 253,750	\$ 86,250
Binti Pamoja Center		41,341
Tabitha Medical Clinic		29,996
Various Projects in Kenya	4,589	2,500
	<u>\$ 258,339</u>	<u>\$ 160,087</u>

10. Endowment Fund

Donor-designated Endowments (UPMIFA state)

The Organization's endowment funds consist of a pooled endowment account established for specific purposes as restricted by the donor. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of North Carolina enacted the North Carolina (NC) Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective March 2009, the provisions of which apply to endowment funds existing on or established after that date. Absent donor stipulations to the contrary, the provisions of this state law do not impose a restriction on the income or capital appreciation derived from the original gifts.

CAROLINA FOR KIBERA, INC.
Notes to Financial Statements
June 30, 2019 and 2018

10. Endowment Fund (Continued)

The Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to permanent endowments, (b) the original value of subsequent gifts to the permanent endowments, 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. Gains and losses are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence described in UPMIFA.

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 as set forth by 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.
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.

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.

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 income without donor restrictions and the payout from the endowment account is received at the end of the Fund's fiscal year from the without donor restrictions portion.

Endowment Net Asset Composition by Fund Type as of June 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 1,334,970	\$ 1,334,970	\$ 1,334,970
Board-designated endowment funds	<u>230,442</u>	<u> </u>	<u>230,442</u>
Endowment net assets, end of period	<u>\$ 230,442</u>	<u>\$ 1,334,970</u>	<u>\$ 1,565,412</u>

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10. Endowment Fund (Concluded)

Endowment Net Asset Composition by Fund Type as of June 30, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$	\$ 1,302,954	\$ 1,302,954
Board-designated endowment funds	<u>224,915</u>	<u> </u>	<u>224,915</u>
Endowment net assets, end of period	\$ <u>224,915</u>	\$ <u>1,302,954</u>	\$ <u>1,527,869</u>

Changes in endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance as of June 30, 2017	\$ 210,387	\$ 1,217,773	\$ 1,428,160
Payout received	71,833		71,833
Payout – transfer out	(71,833)		(71,833)
Investment Fees	(6,024)		(6,024)
Unrealized gain	<u>20,552</u>	<u>85,181</u>	<u>105,733</u>
Balance as of June 30, 2018	224,915	1,302,954	1,527,869
Payout received	73,151		73,151
Payout – transfer out	(73,151)		(73,151)
Investment Fees	(6,397)		(6,397)
Unrealized gain	<u>11,924</u>	<u>32,016</u>	<u>43,940</u>
Balance as of June 30, 2019	\$ <u>230,442</u>	\$ <u>1,334,970</u>	\$ <u>1,565,412</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies at June 30, 2019 and 2018.

11. In-Kind Contributions

The fair value of donated services, materials, and other included as contributions in the financial statements for the years ended June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Program Supplies	\$ <u>2,869</u>	\$ <u>0</u>

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12. Liquidity and Availability of Resources

The Organization manages its liquid resources by focusing on fundraising efforts to ensure the entity has adequate contributions and revenue to cover the programs that are being conducted. The Organization prepares detailed budgets and is very active in managing costs to ensure the entity remains liquid.

The Organization's financial assets as of June 30, 2019 and 2018 expected to be available within one year to meet the cash needs for general expenditures comprise the following:

	<u>2019</u>	<u>2018</u>
Financial assets available within one year:		
Cash	\$ 1,160,535	\$ 1,279,142
Promises to Give, net	120,000	37,450
Accrued Investment Income	<u>1,637</u>	<u>8,683</u>
Financial assets, at year end	1,282,172	1,325,275
Less those unavailable for general expenditures within one year, due to:		
Contractual or Donor-Imposed Restrictions:		
Restricted by donor with time or purpose restrictions	<u>198,854</u>	<u>258,339</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,083,318</u>	<u>\$ 1,066,936</u>

13. Prior Period Adjustment

The investments and beginning net assets balances for the year ended June 30, 2018 have been restated to properly reflect restrictions on net assets. Investments with donor restrictions have been increased by \$130,954 from \$1,172,000 to \$1,302,954. Investments without donor restrictions decreased by \$130,954 from \$355,869 to \$224,915. Beginning net assets with donor restrictions have been increased by \$130,954 from \$1,430,339 to \$1,561,293. Beginning net assets without donor restrictions have been decreased by \$130,954 from \$1,431,196 to \$1,300,242. Unrealized gain on endowment has also been restated to properly reflect restrictions on net assets. For the year ended June 20, 2018, unrealized gain on endowment with donor restrictions increased \$85,181; unrealized gain on endowment without donor restrictions decreased \$85,181 from \$105,733 to \$20,552.

14. Subsequent Events

Subsequent events have been evaluated through January 27, 2020, which is the date the financial statements were available to be issued. The Organization is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

15. Reclassifications

Certain amounts for 2018 have been reclassified to conform to the 2019 presentation. Such reclassifications have no effect on changes in net assets or cash flows as previously reported.