

CAROLINA FOR KIBERA, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

MADDISON & CAISON, LLP
CERTIFIED PUBLIC ACCOUNTANTS
RALEIGH, NORTH CAROLINA

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Carolina for Kibera, Inc.
Chapel Hill, NC

Opinion

We have audited the accompanying financial statements of Carolina for Kibera, Inc. (a nonprofit organization doing business as CFK Africa), which comprise the statements of financial position as of December 31, 2022 and 2021 the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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 December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Carolina for Kibera, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Carolina for Kibera, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Carolina for Kibera, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Carolina for Kibera, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

April 20, 2023

Maddison & Caison, LLP

CAROLINA FOR KIBERA, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 790,908	\$ 24,063	\$ 814,971
Grants receivable	27,179	-	27,179
Inventory	553	-	553
Prepaid expenses	4,225	-	4,225
Total current assets	822,865	24,063	846,928
Fixed assets			
Computers and equipment	8,987	-	8,987
Website	18,500	-	18,500
Less accumulated depreciation	(9,016)	-	(9,016)
Total fixed assets	18,471	-	18,471
Endowment assets			
Cash and cash equivalents	-	785,404	785,404
UNC Fund endowment investments	484,199	3,200,703	3,684,902
Total endowment assets	484,199	3,986,107	4,470,306
TOTAL ASSETS	\$ 1,325,535	\$ 4,010,170	\$ 5,335,705
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable	\$ 4,233	\$ -	\$ 4,233
Payroll liabilities	7,012	-	7,012
Due to Kenya	26,879	-	26,879
Total current liabilities	38,124	-	38,124
Net assets			
Without donor restrictions			
Investment in fixed assets	18,471	-	18,471
Available for operations	784,741	-	784,741
Board-designated quasi-endowment	484,199	-	484,199
Total net assets without donor restrictions	1,287,411	-	1,287,411
With donor restrictions			
Purpose restrictions	-	24,063	24,063
Time restrictions	-	524,215	524,215
Restricted in perpetuity	-	3,461,892	3,461,892
Total net assets with donor restrictions	-	4,010,170	4,010,170
Total net assets	1,287,411	4,010,170	5,297,581
TOTAL LIABILITIES AND NET ASSETS	\$ 1,325,535	\$ 4,010,170	\$ 5,335,705

See accompanying accountant's report.
See accompanying notes to financial statements.

CAROLINA FOR KIBERA, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2021

ASSETS	Without Donor Restrictions	With Donor Restrictions	Total
Current assets			
Cash and cash equivalents	\$ 1,198,511	\$ 158,940	\$ 1,357,451
Inventory	2,235	-	2,235
Prepaid expenses	1,118	-	1,118
Total current assets	<u>1,201,864</u>	<u>158,940</u>	<u>1,360,804</u>
Fixed assets			
Computers and equipment	6,575	-	6,575
Website	9,250	-	9,250
Less accumulated depreciation	<u>(5,236)</u>	<u>-</u>	<u>(5,236)</u>
Total fixed assets	<u>10,589</u>	<u>-</u>	<u>10,589</u>
Endowment assets			
Cash and cash equivalents	-	304,997	304,997
Promises to give	-	500,000	500,000
UNC Fund endowment investments	<u>510,191</u>	<u>2,934,714</u>	<u>3,444,905</u>
Total endowment assets	<u>510,191</u>	<u>3,739,711</u>	<u>4,249,902</u>
TOTAL ASSETS	<u>\$ 1,722,644</u>	<u>\$ 3,898,651</u>	<u>\$ 5,621,295</u>
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable	\$ 5,876	\$ -	\$ 5,876
Payroll liabilities	6,473	-	6,473
Due to Kenya	<u>55,000</u>	<u>-</u>	<u>55,000</u>
Total current liabilities	<u>67,349</u>	<u>-</u>	<u>67,349</u>
Net assets			
Without donor restrictions			
Investment in fixed assets	10,589	-	10,589
Available for operations	1,134,515	-	1,134,515
Board-designated quasi-endowment	<u>510,191</u>	<u>-</u>	<u>510,191</u>
Total net assets without donor restrictions	<u>1,655,295</u>	<u>-</u>	<u>1,655,295</u>
With donor restrictions			
Purpose restrictions	-	158,940	158,940
Time restrictions	-	762,219	762,219
Restricted in perpetuity	<u>-</u>	<u>2,977,492</u>	<u>2,977,492</u>
Total net assets with donor restrictions	<u>-</u>	<u>3,898,651</u>	<u>3,898,651</u>
Total net assets	<u>1,655,295</u>	<u>3,898,651</u>	<u>5,553,946</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,722,644</u>	<u>\$ 3,898,651</u>	<u>\$ 5,621,295</u>

See accompanying accountant's report.
See accompanying notes to financial statements.

CAROLINA FOR KIBERA, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Changes in net assets			
Support and revenues			
Contributions	\$ 648,641	\$ 622,702	\$ 1,271,343
Donated professional services	14,300	-	14,300
Interest income	1,881	-	1,881
Investment return - payout	107,010	-	107,010
Unrealized loss on endowment, net	(25,992)	(238,003)	(263,995)
Released from restriction	273,180	(273,180)	-
Total support and revenues	<u>1,019,020</u>	<u>111,519</u>	<u>1,130,539</u>
Expenses			
Program expenses	1,254,842	-	1,254,842
General and administrative expenses	115,994	-	115,994
Fundraising expenses	16,068	-	16,068
Total expenses	<u>1,386,904</u>	<u>-</u>	<u>1,386,904</u>
Change in net assets	(367,884)	111,519	(256,365)
Net assets, beginning of year	<u>1,655,295</u>	<u>3,898,651</u>	<u>5,553,946</u>
Net assets, end of year	<u>\$ 1,287,411</u>	<u>\$ 4,010,170</u>	<u>\$ 5,297,581</u>

See accompanying accountant's report.
See accompanying notes to financial statements.

CAROLINA FOR KIBERA, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Changes in net assets			
Support and revenues			
Contributions	\$ 781,655	\$ 1,904,128	\$ 2,685,783
Donated professional services	11,300	-	11,300
Interest income	852	-	852
Investment return - payout	75,755	-	75,755
Unrealized gain on endowment, net	72,433	416,276	488,709
Released from restriction	411,762	(411,762)	-
Total support and revenues	1,353,757	1,908,642	3,262,399
Expenses			
Program expenses	947,237	-	947,237
General and administrative expenses	108,739	-	108,739
Fundraising expenses	24,948	-	24,948
Total expenses	1,080,924	-	1,080,924
Change in net assets	272,833	1,908,642	2,181,475
Net assets, beginning of year	1,382,462	1,990,009	3,372,471
Net assets, end of year	\$ 1,655,295	\$ 3,898,651	\$ 5,553,946

See accompanying accountant's report.
See accompanying notes to financial statements.

CAROLINA FOR KIBERA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	Program			Total Program	General & Administrative	Fundraising	Total
	Primary Healthcare	Education & Livelihoods	Research & Other				
Salaries	\$ 89,261	\$ 46,249	\$ 42,235	\$ 177,745	\$ 45,060	\$ 8,483	\$ 231,288
Employee benefits	8,503	4,428	4,371	17,302	4,285	888	22,475
Payroll taxes	7,455	3,853	3,369	14,677	3,784	670	19,131
Grants to Kenya	332,995	141,936	471,501	946,432	-	-	946,432
Student fellowships	-	15,000	-	15,000	-	-	15,000
Professional services	-	-	37,175	37,175	24,880	-	62,055
Development fees	-	-	-	-	6,000	-	6,000
Travel & lodging	-	-	19,206	19,206	-	2,134	21,340
Marketing & advertising	-	-	375	375	-	2,851	3,226
Computer & website	-	-	433	433	107	22	562
Dues & subscriptions	-	-	1,504	1,504	12,703	369	14,576
Supplies	-	-	916	916	1,115	-	2,031
Insurance	-	-	2,613	2,613	644	136	3,393
Rent, parking & utilities	-	-	792	792	195	41	1,028
Telephone	-	-	176	176	-	-	176
Printing	-	-	4,029	4,029	994	209	5,232
Postage	-	-	1,573	1,573	388	82	2,043
Professional development	10,747	-	1,350	12,097	-	-	12,097
Meals & meetings	-	-	-	-	1,810	-	1,810
Fundraising costs	-	-	-	-	-	32	32
Bank & processing fees	-	-	-	-	13,197	-	13,197
Depreciation	-	-	2,797	2,797	832	151	3,780
Total expenses	\$ 448,961	\$ 211,466	\$ 594,415	\$ 1,254,842	\$ 115,994	\$ 16,068	\$ 1,386,904

CAROLINA FOR KIBERA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021

	Program			Total Program	General & Administrative	Fundraising	Total
	Primary Healthcare	Education & Livelihoods	Research & Other				
Salaries	64,893	16,223	\$ 64,893	146,009	\$ 57,681	\$ 16,274	\$ 219,964
Employee benefits	3,235	809	3,234	7,278	2,833	794	10,905
Payroll taxes	4,527	1,132	5,656	11,315	2,787	1,241	15,343
Grants to Kenya	475,998	22,090	188,825	686,913	-	-	686,913
Student fellowships	-	7,502	-	7,502	-	-	7,502
Professional services	-	-	32,350	32,350	17,310	-	49,660
Development fees	-	-	-	-	6,000	-	6,000
Travel & lodging	16,426	8,213	-	24,639	-	2,739	27,378
Marketing & advertising	-	-	769	769	-	2,129	2,898
Computer & website	-	-	938	938	240	89	1,267
Dues & subscriptions	-	-	4,622	4,622	1,187	437	6,246
Supplies	-	-	8,544	8,544	327	121	8,992
Insurance	-	-	1,765	1,765	453	167	2,385
Rent, parking & utilities	-	-	1,281	1,281	329	121	1,731
Telephone	-	-	129	129	33	12	174
Printing	-	-	9,922	9,922	945	348	11,215
Postage	-	-	1,277	1,277	327	121	1,725
Professional development	-	-	969	969	249	92	1,310
Meals & meetings	-	-	603	603	155	57	815
Fundraising costs	-	-	-	-	-	167	167
Bank & processing fees	-	-	-	-	17,777	-	17,777
Depreciation	-	-	412	412	106	39	557
Total expenses	\$ 565,079	\$ 55,969	\$ 326,189	\$ 947,237	\$ 108,739	\$ 24,948	\$ 1,080,924

CAROLINA FOR KIBERA, INC.
STATEMENTS OF CASH FLOWS
Year Ended December 31

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (256,365)	\$ 2,181,475
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	3,780	557
Donated securities	(6,137)	(4,946)
Unrealized (gain) loss on endowment	263,995	(488,709)
Changes in operating assets and liabilities:		
Securities liquidated	6,137	4,946
Grants receivable and promises to give	472,821	(500,000)
Inventory	1,682	(2,235)
Prepaid expenses	(3,107)	(1,118)
Accounts payable	(1,643)	(20,965)
Payroll liabilities	539	(60)
Due to Kenya	(28,121)	55,000
Net cash provided by operating activities	453,581	1,223,945
Cash flows from investing activities		
Purchases of units in UNC Fund	(503,992)	(1,175,755)
Purchases of fixed assets	(11,662)	(9,250)
Net cash used by investing activities	(515,654)	(1,185,005)
Increase (decrease) in cash and cash equivalents	(62,073)	38,940
Cash and cash equivalents, beginning of year	1,662,448	1,623,508
Cash and cash equivalents, end of year	\$ 1,600,375	\$ 1,662,448
Reported on the statement of financial position as:		
Without donor restrictions	\$ 790,908	\$ 1,198,511
With donor restrictions	24,063	158,940
With donor restrictions - endowment	785,404	304,997
Total cash and cash equivalents	\$ 1,600,375	\$ 1,662,448

See accompanying accountant's report.
See accompanying notes to financial statements.

CAROLINA FOR KIBERA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 1 – Organizational Purpose and Major Programs

Carolina for Kibera, Inc. (CFK Africa or CFK) is a North Carolina nonprofit organization incorporated in 2001 and headquartered in Chapel Hill, North Carolina. CFK Africa improves public health and economic prosperity in informal settlements, combining public service with responsible research to inform and assist participatory development in Kenya and other informal settlements globally. CFK's revenues consist primarily of contributions from the general public and investment income.

CFK's major program activities include the following:

Primary Healthcare

CFK operates three healthcare facilities: Tabitha Medical Clinic, Young Health and Wellness Centre, and Tabitha Maternity Home, as well as a community health outreach program to meet the diverse needs of the Kibera community in Kenya. Community Health Volunteers (CHVs) take health education directly to residents' homes, acting as a bridge between the facilities and the community, conducting home-based health screenings, referring residents to clinics for vital healthcare services, and conducting follow-up visits with patients. Additionally, Girls' Empowerment activities cross over our two focus areas of Health and Education and are embedded across programs. CFK supports adolescent girls and young women through a dual strategy of mentorship and advocacy, using male involvement as an auxiliary approach to help promote gender equity. Recognizing females face unique challenges, CFK builds self-agency among program participants, provides them with access to a support and accountability system, and encourages them to develop and use their voices and practice leadership, creating strong sisterhoods.

Education and Livelihoods

CFK supports education both in and out of the classroom, providing young people with opportunities for academic and economic success and development. Through four projects, CFK provides scholarships to cover school fees, identifies cost-effective best practices to improve student attendance and progress, helps students develop work readiness and entrepreneurial skills, and promotes peace, unity, and equality through sports.

Research

CFK generates data that improves lives through community-based research and collaborations with universities and research institutions. From monitoring for infectious disease outbreaks to improving education quality through evidence-based best practices, research helps identify pressing issues and inform responsible solutions. Community input and regular monitoring and evaluation led by CFK staff drive program development, guide implementation, inform program adaptations, and help us determine program success.

Note 2 – Significant Accounting Policies

Basis of Accounting

The financial statements of CFK are prepared on the accrual basis of accounting. Accordingly, contributions are recognized per the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, and expenses are recorded as incurred rather than as paid.

CAROLINA FOR KIBERA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 2 – Significant Accounting Policies (continued)

Basis of Presentation

CFK's financial statement presentation follows the recommendations of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* under Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*.

Cash and Cash Equivalents

For purposes of the statement of cash flows, CFK considers all highly liquid financial instruments with an original maturity of three months or less to be cash equivalents.

Grants Receivable and Promises to Give

Unconditional grants and donor promises to give are recorded as receivables and revenue at the time of the award or promise consistent with ASU 2018-08. As of December 31, 2022 and 2021, CFK determined that all outstanding grants and promises to give were collectible, and therefore, no allowance has been recorded.

Investments

Investments consist of units in the University of North Carolina Investment Fund, LLC (UNC Fund) and are reported at fair value in the statement of financial position. Investment income is reported in the statement of activities net of investment fees of \$9,788 and \$3,657 for the years ended December 31, 2022 and 2021, respectively.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair market value on the date of donation, if donated. Assets costing over \$500 are capitalized. Depreciation is computed using the straight-line method over the asset's estimated useful life, typically five years for computers and three years for software and website assets.

Net Assets

Net assets and revenues received are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions – net assets subject to donor-imposed restrictions that are temporary or perpetual in nature. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed and/or when the stipulated purpose for which the resource was restricted has been fulfilled.

Donated Services

Donated services are only recorded for those which require specialized skills. CFK's board officers and directors make significant contributions of their time in carrying out CFK's various programs and initiatives. These contributed services are not recorded as they do not meet the definition for recording or disclosure under current standards.

CAROLINA FOR KIBERA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 2 – Significant Accounting Policies (continued)

For the year ended December 31, 2022, the CFK adopted and implemented ASU 2020-07 (Topic 958) - *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Under this ASU, contributed nonfinancial assets, disaggregated by type, are presented as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Among other possible disclosures, qualitative information is required concerning whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, disclosures will also include a description of the programs or other activities in which those assets were used, along with a description of the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, *Fair Value Measurement*. CFK has applied this ASU on a retrospective basis.

As of December 31, 2022 and 2021, CFK recorded \$14,300 and \$11,300, respectively, in donated legal and IT services. All legal services were utilized in CFK's research program, and the IT services were utilized in general and administrative activities. Fair value was determined by reference to vendor provided information about published hourly rates or retail pricing.

Contributions

All contributions are considered to be for unrestricted purposes unless specifically restricted by the donor. Contributions that are restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the 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 statement of activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of program and supporting services of CFK have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program, general and administrative, and fundraising functions benefited.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

CAROLINA FOR KIBERA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 3 – Liquidity and Availability

Financial assets without donor or other restrictions limiting their use that are available for general expenditure within one year of December 31, 2022 are as follows:

Cash and cash equivalents	\$ 1,600,375
Grants receivable	27,179
Endowment investments	3,684,902
Less agency funds	(26,879)
Less board designated	(484,199)
Less donor restricted	(4,010,170)
Total	<u>\$ 791,208</u>

Management believes these assets are sufficient to provide for operations in the coming year as CFK will operate under a balanced budget for 2023. To help manage liquidity, management regularly prioritizes expenditures and adheres to a detailed monthly budget plan.

Note 4 – Concentrations of Risk

Operating cash balances are maintained on deposit at a local financial institution in CFK's accounts, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. In addition, CFK maintains cash balances within the UNC Fund, which are not insured by the FDIC, but are backed in policy and in practice by the State of North Carolina. At December 31, 2022, CFK's uninsured cash balances totaled \$96,304. CFK believes there is minimal risk regarding its cash and cash equivalents.

CFK received gifts from two donors that represented 49% of CFK's total support and revenue for the year ended December 31, 2022 and from three donors that represented 58% of CFK's total support and revenue for the year ended December 31, 2021. These concentrations aside, CFK received the balance of its contributions from approximately 1,360 and 1,710 individual donors during the years ended December 31, 2022 and 2021, respectively.

Note 5 – UNC Fund Investments

Investments are comprised solely of units in the UNC Fund external investment pool. The UNC Fund's purpose is to acquire, hold, and dispose of property for investment purposes on behalf of its members. Its members include The University of North Carolina and its constituent institutions and their affiliated endowments and tax-exempt foundations, one of which is CFK. CFK invests with the UNC Fund because it allows CFK to pool its resources and invest collectively in opportunities achieving better economies of scale.

CFK's funds are invested in various securities through separate accounts and commingled investment vehicles. While CFK retains all ownership rights to the assets, the UNC Fund is responsible for all investment decisions, selecting managers, asset allocation, custodian selection, rebalancing procedures, and performance reporting according to the UNC Fund's investment policy. The ultimate responsibility for managing the cash and investments of CFK's endowment fund, however, rests with CFK's board of directors.

CAROLINA FOR KIBERA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 5 – UNC Fund Investments (continued)

Investment and Performance Objectives – The UNC Fund follows a policy to maintain a diversified portfolio designed to achieve the overall goal of earning an average annual return of at least 5.5% plus inflation per year, net of all fees over rolling five and ten-year periods.

Asset Mix – The UNC Fund invests in a wide array of asset classes and strategies, as defined by its Strategic Investment Policy Portfolio established by its board. The UNC Fund reported the following asset class targets as of its most recent reporting date of June 30, 2022:

<u>Asset Class</u>	<u>Strategic Target</u>	<u>Range</u>
Long equity	30%	24-36%
Long/short equity	15%	10-20%
Diversifying strategies	10%	6-14%
Fixed income	9%	5-14%
Private equity	22%	17-27%
Real estate	8%	5-12%
Energy and natural resources	4%	2-8%
Cash	2%	-2-8%

Investments in the UNC Fund pool are comprised solely of ownership interests (Units or Membership Interests) in the Fund. Ownership interests of the UNC Fund are determined on a market unit valuation basis each month and in accordance with the UNC Fund’s operating procedures as the unit price fluctuates with changes in the fair market value of the underlying securities and other assets held by the UNC Fund. The terms of redemption of ownership interests require at least 90 days prior written notice. CFK may redeem all or a portion of its units and receive the full balance of its withdrawal request over eight consecutive fiscal quarters.

Risk Exposures – CFK’s investments with the UNC Fund have the following risk exposures:

- (1) **Interest Rate Risk:** Interest rate risk is the risk an entity may face should interest rate variances affect the fair value of investments. In order to assess its interest rate risk, the UNC Fund considers the maturity of timeframes for debt securities in their portfolio. The highest concentrations of the debt securities that are subject to interest rate risk are less than a year followed by more than 10 years.
- (2) **Credit Risk:** Credit risk is the risk that a counter party to an investment will not fulfill its obligations. Credit risk is generally gauged via judgmental assessments by major independent ratings agencies for applicable debt securities. The UNC Fund seeks investments subject to credit risk that have AAA ratings.
- (3) **Foreign Currency Risk:** Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The UNC Fund has exposure to foreign currency risk as it seeks a Global to US investment balance of 70/30. Changes in foreign currency exchange rates are monitored on a regular basis. If the foreign currency risk is deemed substantial, changes to the makeup of the portfolio may be implemented to reduce the potential impact of this risk.

CAROLINA FOR KIBERA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 5 – UNC Fund Investments (continued)

As of December 31, cost and fair market value of CFK's UNC Fund investments were as follows:

	<u>2022</u>	<u>2021</u>
Investments at cost	\$ 3,054,553	\$ 2,550,561
Cumulative unrealized gain	630,349	894,344
Investments at fair market value	<u>\$ 3,684,902</u>	<u>\$ 3,444,905</u>

Note 6 – Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This statement establishes a fair value hierarchy regarding the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. FASB ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 also establishes a fair value hierarchy that 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) of identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

As of both December 31, 2022 and 2021, CFK's investment units in the UNC Fund, which are measured at fair value on a recurring basis based inputs that are corroborated by observable market data, are classified as Level 2 assets.

Note 7 – Net Assets Without Donor Restrictions

Net assets without donor restrictions include board designated amounts invested with the UNC Fund. These board designated, quasi-endowment funds, including the net investment earnings on these funds, may be released from designation at any time by action of the board. It is the board's intention to maintain these funds long-term to meet future opportunities or needs. Therefore, they have been excluded from current assets available for operations.

CAROLINA FOR KIBERA, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022 AND 2021

Note 7 – Net Assets Without Donor Restrictions (continued)

Net assets without donor restrictions as of December 31 are reported as follows:

	2022	2021
Investment in fixed assets	\$ 18,471	\$ 10,589
Available for operations	784,741	1,134,515
Board designated, quasi-endowment principal	378,015	378,066
Investment earnings, net of fees, on quasi-endowment funds	106,184	132,125
Total net assets without donor restrictions	\$ 1,287,411	\$ 1,655,295

Note 8 – Net Assets With Donor Restrictions and Endowment Fund Reporting

Net assets with donor restrictions include gifts of principal to CFK’s endowment fund that have been restricted by donors in perpetuity. In addition, unappropriated net investment earnings on these perpetually restricted gifts are considered to have donor restrictions as to time. In addition, net assets with donor restrictions include gifts restricted by donors as to purpose.

Net assets with donor restrictions as of December 31 are reported as follows:

	2022	2021
Restricted as to purpose		
Primary healthcare - Tabitha Maternity Centre	\$ 6,789	\$ 101,379
Adolescent health	250	100
Education and livelihoods	15,969	16,961
Research and other	1,055	40,500
Restricted as to time		
General operations - net investment earnings	524,216	762,219
Perpetually restricted		
General operations	2,173,245	2,172,745
Lux Sit Scholarship Fund	533,904	304,747
Rogers Scholarship Fund	754,742	500,000
Total net assets with donor restrictions	\$ 4,010,170	\$ 3,898,651

CFK follows North Carolina G.S. 116, Chapter 36E, *Uniform Prudent Management of Institutional Funds Act* (UPMIFA) with regard to its perpetually restricted endowment funds. The board of directors interprets UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of these funds absent explicit donor stipulations to the contrary.

As a result of this interpretation and subject to the donor restrictions, CFK retains in perpetuity (a) the original value of permanent gifts to the endowment fund, (b) the original value of subsequent permanent gifts to the fund, and (c) accumulations to the fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

CAROLINA FOR KIBERA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 8 – Net Assets With Donor Restrictions and Endowment Fund Reporting (continued)

As of December 31, 2022, CFK maintained the following perpetually restricted endowment funds subject to UPMIFA, and for the year ended December 31, 2022, reported the following activity:

	Perpetually Restricted Corpus		
	UNC Fund	In-Transit	Total
Endowment assets as of December 31, 2021	\$ 2,172,745	\$ 804,747	\$ 2,977,492
Transfers	804,747	(804,747)	-
Contributions	474,400	10,000	484,400
Unrealized losses	-	-	-
Fees	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Endowment assets as of December 31, 2022	<u>\$ 3,451,892</u>	<u>\$ 10,000</u>	<u>\$ 3,461,892</u>

As of December 31, 2022, CFK maintained the following investment earnings restricted as to time in its endowment fund, and for the year ended December 31, 2022, reported the following activity:

	Time Restricted Investment Earnings		
	UNC Fund	In-Transit	Total
Endowment assets as of December 31, 2021	\$ 762,219	\$ -	\$ 762,219
Transfers	-	-	-
Contributions	-	-	-
Unrealized losses	(229,180)	-	(229,180)
Fees	(8,824)	-	(8,824)
	<u> </u>	<u> </u>	<u> </u>
Endowment assets as of December 31, 2022	<u>\$ 524,215</u>	<u>\$ -</u>	<u>\$ 524,215</u>

As of December 31, 2022, CFK maintained the following unrestricted board designated (quasi-endowment) balances in its endowment fund, and for the year ended December 31, 2022, reported the following activity:

	Unrestricted Board Designated		
	UNC Fund	In-Transit	Total
Endowment assets as of December 31, 2021	\$ 510,191	\$ -	\$ 510,191
Transfers	-	-	-
Contributions	-	-	-
Unrealized losses	(25,028)	-	(25,028)
Fees	(964)	-	(964)
	<u> </u>	<u> </u>	<u> </u>
Endowment assets as of December 31, 2022	<u>\$ 484,199</u>	<u>\$ -</u>	<u>\$ 484,199</u>

CAROLINA FOR KIBERA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 8 – Net Assets With Donor Restrictions and Endowment Fund Reporting (continued)

In summary, as of December 31, 2022, CFK maintained the following total endowment assets, and for the year ended December 31, 2022, reported the following total activity:

	Total Endowment Assets		
	UNC Fund	In-Transit	Total
Endowment assets as of December 31, 2021	\$ 3,445,155	\$ 804,747	\$ 4,249,902
Transfers	804,747	(804,747)	-
Contributions	474,400	10,000	484,400
Unrealized losses	(254,208)	-	(254,208)
Fees	(9,788)	-	(9,788)
	\$ 4,460,306	\$ 10,000	\$ 4,470,306
Endowment assets as of December 31, 2022	\$ 4,460,306	\$ 10,000	\$ 4,470,306

Note 9 – Retirement Plan

CFK established a 401K plan for eligible employees during the year ended December 31, 2022. CFK made matching contributions of \$19,944 to employee accounts in 2022.

Note 10 – Functionalized Expenses

Certain expenses in these financial statements are attributable to more than one program or supporting function. Under ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, these expenses must be allocated over functional categories on a reasonable basis that is consistently applied. Accordingly, management has allocated salaries and related taxes and benefits based on an analysis of staff time and efforts. This analysis is also the basis for the indirect allocation of the following expenses: computer and website, dues and subscriptions, supplies, insurance, rent, parking, and utilities, telephone, printing, postage, professional development, meals and meetings, and depreciation. Other expenses have been analyzed and allocated directly on an invoice by invoice basis, including grants to Kenya. CFK's board of directors and other organization partners volunteer substantial time to CFK's fundraising activities.

Note 11 – Income Taxes and Uncertain Tax Positions

CFK is a tax-exempt, nonprofit organization under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been recorded on the financial statements.

CFK has evaluated its tax positions as of December 31, 2022 and believes they exceed the "more likely than not" standard set by FASB ASC 740-10, *Simplifying the Accounting for Income Taxes*. Consequently, it has not recorded a liability for any potentially imposed taxes or any potentially unrecognized tax benefits.

CAROLINA FOR KIBERA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Note 12 – Affiliated Entities

CFK is affiliated with the University of North Carolina at Chapel Hill (the “University”). Under an administrative services agreement, the University provides certain office expenses, investment management services, and accounting services for \$6,000 per year. Additional overhead charges in the amount of \$2,312 and \$316 for the years ended December 31, 2022 and 2021, respectively, were also charged by the University. CFK must maintain its State of North Carolina 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.

CFK is also affiliated with a nonprofit partner Kenyan organization that bears the CFK name and shares the CFK mission. After review and evaluation, CFK fulfills grant requests from CFK in Kenya, provides mentoring and leadership development, and maintains a close affiliation with CFK in Kenya to monitor the use of grant funds and to achieve efficiencies in carrying out program activities. CFK staff and volunteers regularly travel to Kenya, and Kenyan CFK leaders regularly travel to the United States in the maintenance of this affiliation. For the years ended December 31, 2022 and 2021, CFK provided \$946,432 and \$694,177, respectively, in direct funding to CFK in Kenya. CFK in Kenya obtains an annual audit under Kenyan auditing standards issued by the Institute of Certified Public Accountants of Kenya (ICPAK).

CFK from time to time also acts as CFK in Kenya’s custodial agent in receiving and remitting certain foundation grants on behalf of CFK in Kenya as a convenience. For the years ended December 31, 2022 and 2021, CFK remitted \$42,496 and \$38,125, respectively, in pass-through foundation grants, and as of December 31, 2022 and 2021, CFK reported \$26,879 and \$55,000, respectively, of pass-through funds on hand to remit to CFK in Kenya.

Note 13 – Subsequent Events

CFK has evaluated subsequent events through April 20, 2023, the date on which the financial statements were available to be issued. No additional disclosures were determined to be necessary.