

CAROLINA FOR KIBERA, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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, 2023 and 2022 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, 2023 and 2022, 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.

March 24, 2024

Maddison & Caison, LLP

CAROLINA FOR KIBERA, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2023

ASSETS	Without Donor Restrictions	With Donor Restrictions	Total
Current assets			
Cash and cash equivalents	\$ 772,374	\$ 115,847	\$ 888,221
Promises to give	2,000	-	2,000
Inventory	426	-	426
Prepaid expenses	3,700	-	3,700
Total current assets	<u>778,500</u>	<u>115,847</u>	<u>894,347</u>
Fixed assets			
Computers and equipment	10,061	-	10,061
Website	18,500	-	18,500
Less accumulated depreciation	<u>(16,197)</u>	<u>-</u>	<u>(16,197)</u>
Total fixed assets	<u>12,364</u>	<u>-</u>	<u>12,364</u>
Endowment assets			
Cash and cash equivalents	-	18,934	18,934
UNC Fund endowment investments	<u>474,700</u>	<u>4,076,083</u>	<u>4,550,783</u>
Total endowment assets	<u>474,700</u>	<u>4,095,017</u>	<u>4,569,717</u>
TOTAL ASSETS	<u><u>\$ 1,265,564</u></u>	<u><u>\$ 4,210,864</u></u>	<u><u>\$ 5,476,428</u></u>
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable	\$ 7,137	\$ -	\$ 7,137
Payroll liabilities	7,453	-	7,453
Due to Kenya	<u>32,500</u>	<u>-</u>	<u>32,500</u>
Total current liabilities	<u>47,090</u>	<u>-</u>	<u>47,090</u>
Net assets			
Without donor restrictions			
Investment in fixed assets	12,364	-	12,364
Available for operations	731,410	-	731,410
Board-designated quasi-endowment	<u>474,700</u>	<u>-</u>	<u>474,700</u>
Total net assets without donor restrictions	<u>1,218,474</u>	<u>-</u>	<u>1,218,474</u>
With donor restrictions			
Purpose restrictions	-	115,847	115,847
Time restrictions	-	623,193	623,193
Restricted in perpetuity	<u>-</u>	<u>3,471,824</u>	<u>3,471,824</u>
Total net assets with donor restrictions	<u>-</u>	<u>4,210,864</u>	<u>4,210,864</u>
Total net assets	<u>1,218,474</u>	<u>4,210,864</u>	<u>5,429,338</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,265,564</u></u>	<u><u>\$ 4,210,864</u></u>	<u><u>\$ 5,476,428</u></u>

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

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	466,729	3,198,787	3,665,516
Total endowment assets	466,729	3,984,191	4,450,920
TOTAL ASSETS	\$ 1,308,065	\$ 4,008,254	\$ 5,316,319
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	466,729	-	466,729
Total net assets without donor restrictions	1,269,941	-	1,269,941
With donor restrictions			
Purpose restrictions	-	24,063	24,063
Time restrictions	-	522,301	522,301
Restricted in perpetuity	-	3,461,890	3,461,890
Total net assets with donor restrictions	-	4,008,254	4,008,254
Total net assets	1,269,941	4,008,254	5,278,195
TOTAL LIABILITIES AND NET ASSETS	\$ 1,308,065	\$ 4,008,254	\$ 5,316,319

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

CAROLINA FOR KIBERA, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Changes in net assets			
Support and revenues			
Contributions	\$ 704,823	\$ 178,930	\$ 883,753
Donated professional services	11,300	-	11,300
Interest income	15,349	-	15,349
Investment return - payout	160,965	-	160,965
Unrealized gain on endowment, net	7,971	100,892	108,863
Released from restriction	77,212	(77,212)	-
Total support and revenues	977,620	202,610	1,180,230
Expenses			
Program expenses	882,982	-	882,982
General and administrative expenses	126,935	-	126,935
Fundraising expenses	19,170	-	19,170
Total expenses	1,029,087	-	1,029,087
Change in net assets	(51,467)	202,610	151,143
Net assets, beginning of year	1,269,941	4,008,254	5,278,195
Net assets, end of year	\$ 1,218,474	\$ 4,210,864	\$ 5,429,338

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	(43,462)	(239,919)	(283,381)
Released from restriction	273,180	(273,180)	-
Total support and revenues	<u>1,001,550</u>	<u>109,603</u>	<u>1,111,153</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	(385,354)	109,603	(275,751)
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>\$ 1,269,941</u>	<u>\$ 4,008,254</u>	<u>\$ 5,278,195</u>

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

CAROLINA FOR KIBERA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2023

	Program			Total Program	General & Administrative	Fundraising	Total
	Public Health	Education & Livelihoods	Research & Other				
Salaries	97,200	61,870	\$ 35,802	194,872	\$ 57,937	\$ 13,662	\$ 266,471
Employee benefits	9,335	6,548	3,493	19,376	5,678	1,618	26,672
Payroll taxes	7,868	4,903	2,974	15,745	4,687	1,119	21,551
Grants to Kenya	342,503	81,312	115,828	539,643	-	-	539,643
Professional services	-	-	39,400	39,400	22,351	-	61,751
Development fees	-	-	-	-	6,000	-	6,000
Travel & lodging	29,683	17,040	5,497	52,220	1,649	1,099	54,968
Marketing & advertising	-	-	-	-	-	204	204
Computer & website	-	-	4,102	4,102	1,236	281	5,619
Dues & subscriptions	-	-	1,036	1,036	9,011	310	10,357
Supplies	-	-	3,163	3,163	442	-	3,605
Insurance	-	-	3,093	3,093	932	212	4,237
Rent, parking & utilities	-	-	782	782	236	54	1,072
Telephone	-	-	175	175	-	-	175
Printing	-	-	3,277	3,277	988	224	4,489
Postage	-	-	406	406	122	28	556
Professional development	-	-	450	450	391	-	841
Meals & meetings	-	-	-	-	1,487	-	1,487
Bank & processing fees	-	-	-	-	12,208	-	12,208
Depreciation	-	-	5,242	5,242	1,580	359	7,181
Total expenses	\$ 486,589	\$ 171,673	\$ 224,720	\$ 882,982	\$ 126,935	\$ 19,170	\$ 1,029,087

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

	Program			Total Program	General & Administrative	Fundraising	Total
	Public Health	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.
STATEMENTS OF CASH FLOWS
Year Ended December 31

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 151,143	\$ (275,751)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	7,181	3,780
Donated securities	(34,707)	(6,137)
Unrealized (gain) loss on endowment, net	(108,863)	283,381
Changes in operating assets and liabilities:		
Securities liquidated	34,707	6,137
Grants receivable and promises to give	25,179	472,821
Inventory	127	1,682
Prepaid expenses	525	(3,107)
Accounts payable	2,904	(1,643)
Payroll liabilities	441	539
Due to Kenya	5,621	(28,121)
Net cash provided by operating activities	84,258	453,581
Cash flows from investing activities		
Purchases of units in UNC Fund	(776,404)	(503,992)
Purchases of fixed assets	(1,074)	(11,662)
Net cash used by investing activities	(777,478)	(515,654)
Decrease in cash and cash equivalents	(693,220)	(62,073)
Cash and cash equivalents, beginning of year	1,600,375	1,662,448
Cash and cash equivalents, end of year	\$ 907,155	\$ 1,600,375
Reported on the statement of financial position as:		
Without donor restrictions	\$ 772,374	\$ 790,908
With donor restrictions	115,847	24,063
With donor restrictions - endowment	18,934	785,404
Total cash and cash equivalents	\$ 907,155	\$ 1,600,375

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

CAROLINA FOR KIBERA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Note 1 – Organizational Purpose and Major Programs

Carolina for Kibera, Inc. (CFK Africa) is a North Carolina nonprofit organization incorporated in 2001 in Chapel Hill, North Carolina. CFK Africa collaborates with residents of informal settlements to address inequities around access to quality health care, develop local leaders, and reduce gender disparities by combining public service with responsible research to inform and assist participatory development in Kenya and other informal settlements globally. CFK Africa's revenues consist primarily of contributions from the general public, grants and foundation partners, and investment income.

CFK's major program activities include the following:

Public Health

CFK Africa operates three healthcare facilities in Kibera (Tabitha Medical Clinic, Young Health and Wellness Centre, and Tabitha Maternity Home) and a community health outreach program to meet the diverse needs of Kenyan informal settlement communities. Community Health Promoters take health education directly to residents' homes, acting as a bridge between health 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 are embedded across CFK Africa's health and education programs. CFK Africa supports adolescent girls and young women through a dual strategy of mentorship and advocacy. Recognizing females face unique challenges in informal settlements, CFK Africa builds self-agency among program participants, provides them with access to a support network, and encourages them to develop and use their voices and practice leadership, ensuring girls can reach their full potential.

Education and Livelihoods

CFK Africa supports the next generation of young leaders from informal settlements by providing opportunities for academic and economic success and development. CFK Africa supports youth in developing work readiness and entrepreneurial skills, champions girls' empowerment, provides scholarships and mentorship, identifies cost-effective best practices to improve student school attendance and academic progress, and promotes peace and equality through sports-for-development initiatives.

Research

CFK Africa generates data and insights applicable to informal settlements worldwide through community-based research 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 informs responsible solutions. Community input and regular monitoring and evaluation drives program development, guides implementation, informs program adaptations, and helps CFK Africa determine programmatic 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, 2023 AND 2022

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, 2023 and 2022, 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 \$14,523 and \$9,788 for the years ended December 31, 2023 and 2022, 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, 2023 AND 2022

Note 2 – Significant Accounting Policies (continued)

For the year ended December 31, 2023, 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, 2023 and 2022, CFK recorded \$11,300 and \$14,300, 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, 2023 AND 2022

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, 2023 are as follows:

Cash and cash equivalents	\$ 907,155
Promises to give	2,000
Endowment investments	4,550,783
Less agency funds	(32,500)
Less board designated	(474,700)
Less donor restricted	(4,210,864)
Total	<u>\$ 741,874</u>

Management believes these assets are sufficient to provide for operations in the coming year as CFK will operate under a balanced budget for 2024. 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, 2023, CFK's uninsured cash balances totaled \$34,302. CFK believes there is minimal risk regarding its cash and cash equivalents.

CFK received gifts from two donors that represented 36% and 49% of CFK's total support and revenue for the years ended December 31, 2023 and 2022, respectively. These concentrations aside, CFK received approximately 1,000 and 1,360 individual donations for the years ended December 31, 2023 and 2022, 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, 2023 AND 2022

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, 2023:

<u>Asset Class</u>	<u>Strategic Target</u>	<u>Range</u>
Private equity	27%	20-34%
Long equity	26%	20-32%
Long/short equity	15%	10-20%
Diversifying strategies	10%	6-14%
Fixed income	8%	5-12%
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, 2023 AND 2022

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>2023</u>	<u>2022</u>
Investments at cost	\$ 3,830,957	\$ 3,054,553
Cumulative unrealized gain	719,826	610,963
Investments at fair market value	<u>\$ 4,550,783</u>	<u>\$ 3,665,516</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, 2023 and 2022, 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, 2023 AND 2022

Note 7 – Net Assets Without Donor Restrictions (continued)

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

	2023	2022
Investment in fixed assets	\$ 12,364	\$ 18,471
Available for operations	731,410	784,741
Board designated, quasi-endowment principal	378,066	378,066
Investment earnings, net of fees, on quasi-endowment funds	96,634	88,663
Total net assets without donor restrictions	\$ 1,218,474	\$ 1,269,941

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:

	2023	2022
Restricted as to purpose		
Public health	\$ 14,473	\$ 7,039
Education and livelihoods	101,374	15,969
Research and other	-	1,055
Restricted as to time		
General operations - net investment earnings	623,192	522,300
Perpetually restricted		
General operations	2,173,245	2,173,245
Lux Sit Scholarship Fund	543,838	533,904
Rogers Scholarship Fund	754,742	754,742
Total net assets with donor restrictions	\$ 4,210,864	\$ 4,008,254

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, 2023 AND 2022

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

As of December 31, 2023, CFK maintained the following perpetually restricted endowment funds subject to UPMIFA, and for the year ended December 31, 2023, reported the following activity:

	<u>Perpetually Restricted Corpus</u>		
	<u>UNC Fund</u>	<u>In-Transit</u>	<u>Total</u>
Endowment assets as of December 31, 2022	\$ 3,451,890	\$ 10,000	\$ 3,461,890
Transfers	-	-	-
Contributions	1,000	8,934	9,934
Unrealized gains	-	-	-
Fees	-	-	-
	<hr/>	<hr/>	<hr/>
Endowment assets as of December 31, 2023	<u>\$ 3,452,890</u>	<u>\$ 18,934</u>	<u>\$ 3,471,824</u>

As of December 31, 2023, CFK maintained the following investment earnings restricted as to time in its endowment fund, and for the year ended December 31, 2023, reported the following activity:

	<u>Time Restricted Investment Earnings</u>		
	<u>UNC Fund</u>	<u>In-Transit</u>	<u>Total</u>
Endowment assets as of December 31, 2022	\$ 522,301	\$ -	\$ 522,301
Transfers	-	-	-
Contributions	-	-	-
Unrealized gains	113,989	-	113,989
Fees	(13,097)	-	(13,097)
	<hr/>	<hr/>	<hr/>
Endowment assets as of December 31, 2023	<u>\$ 623,193</u>	<u>\$ -</u>	<u>\$ 623,193</u>

As of December 31, 2023, CFK maintained the following unrestricted board designated (quasi-endowment) balances in its endowment fund, and for the year ended December 31, 2023, reported the following activity:

	<u>Unrestricted Board Designated</u>		
	<u>UNC Fund</u>	<u>In-Transit</u>	<u>Total</u>
Endowment assets as of December 31, 2022	\$ 466,729	\$ -	\$ 466,729
Transfers	-	-	-
Contributions	-	-	-
Unrealized gains	9,397	-	9,397
Fees	(1,426)	-	(1,426)
	<hr/>	<hr/>	<hr/>
Endowment assets as of December 31, 2023	<u>\$ 474,700</u>	<u>\$ -</u>	<u>\$ 474,700</u>

CAROLINA FOR KIBERA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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

In summary, as of December 31, 2023, CFK maintained the following total endowment assets, and for the year ended December 31, 2023, reported the following total activity:

	Total Endowment Assets		
	UNC Fund	In-Transit	Total
Endowment assets as of December 31, 2022	\$ 4,440,920	\$ 10,000	\$ 4,450,920
Transfers	-	-	-
Contributions	1,000	8,934	9,934
Unrealized gains	123,386	-	123,386
Fees	(14,523)	-	(14,523)
	\$ 4,550,783	\$ 18,934	\$ 4,569,717
Endowment assets as of December 31, 2023	\$ 4,550,783	\$ 18,934	\$ 4,569,717

Note 9 – Retirement Plan

CFK established a 401K plan for eligible employees during the year ended December 31, 2023. CFK made matching contributions of \$19,645 and \$19,944 to employee accounts in 2023 and 2022, respectively.

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, 2023 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, 2023 AND 2022

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 \$805 and \$2,312 for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, CFK provided \$542,444 and \$946,432, 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, 2023 and 2022, CFK remitted \$31,879 and \$42,496, respectively, in pass-through foundation grants, and as of December 31, 2023 and 2022, CFK reported \$32,500 and \$26,879, respectively, of pass-through funds on hand to remit to CFK in Kenya.

Note 13 – Subsequent Events

CFK has evaluated subsequent events through March 24, 2024, the date on which the financial statements were available to be issued. No additional adjustments or disclosures were determined to be necessary.