



# RAE & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

25 Braintree Hill Office Park | Suite 200  
Braintree, MA 02184

1201 Westford Street | First Floor  
Lowell, MA 01851

Phone: (888) 485-7444  
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## **FLYING KITES, INC.**

### *Financial Statements*

*Year Ended December 31, 2018*

#### **Mission Statement**

*At Flying Kites, we are transforming primary education in rural Kenya. By partnering with local educators, government leaders and our Village of non-profit partners, we are building the capacity of locally-led schools through coordinated interventions that improve student outcomes in two critical areas: skilled & engaging teachers and student safety and wellness.*

**[www.flyingkites.org](http://www.flyingkites.org)**

**FLYING KITES, INC.**

*Financial Statements*

*Year Ended December 31, 2018*

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## *Independent Auditors' Report*

To the Board of Directors  
**Flying Kites, Inc.**  
Boston, Massachusetts

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Flying Kites, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Flying Kites, Inc. as of December 31, 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.

**Report on Summarized Comparative Information**

We have previously audited Flying Kites, Inc.'s 2017 financial statements, and our report dated April 12, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*RAE & Associates, LLC*

RAE & Associates, LLC  
Braintree, Massachusetts  
May 30, 2019

**FLYING KITES, INC.**  
**Statement of Financial Position**  
**As of December 31, 2018**

(with comparative totals as of December 31, 2017)

	<b>2018</b>	<b>2017</b>
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 408,129	\$ 299,753
Restricted cash - Capital Campaign	207,840	379,586
Cash held for others	123,023	-
Accounts receivable	7,822	-
Pledges receivable, current	462,296	315,000
Total current assets	1,209,110	994,339
Property and equipment, net	1,756,149	1,270,451
Security Deposit	2,250	5,564
Pledges receivable (net of discount of \$1,097 and \$2,680 as of December 31, 2018 and 2017, respectively)	28,903	97,320
Total assets	\$ 2,996,412	\$ 2,367,674
<i>Liabilities and Net Assets</i>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 87,609	\$ 20,985
Total liabilities	87,609	20,985
Net assets:		
Without donor restrictions	2,549,037	1,754,783
With donor restrictions	359,766	591,906
Total net assets	2,908,803	2,346,689
Total liabilities and net assets	\$ 2,996,412	\$ 2,367,674

**FLYING KITES, INC.**

***Statement of Activities***

***For the Year Ended December 31, 2018***

*(with summarized comparative totals for the year ended December 31, 2017)*

	2018			2017
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
Support and revenue:				
Individual contributions	\$ 786,165	\$ -	\$ 786,165	\$ 525,921
Programs income:				
Ambassador Program	500	-	500	78,267
Adventure Challenge Program	274,445	-	274,445	216,098
Student Sponsorship Program	212,291	-	212,291	231,297
Legacy Scholarship Program	-	-	-	2,500
Capital campaign	-	265,876	265,876	724,311
Fiscal sponsorship income	-	193,142	193,142	20,000
Events income	309,873	-	309,873	244,127
Contributed goods and services	69,420	-	69,420	30,503
Net assets released from donor restrictions	691,158	(691,158)	-	-
 Total support and revenue	 <u>2,343,852</u>	 <u>(232,140)</u>	 <u>2,111,712</u>	 <u>2,073,024</u>
Expenses:				
Program services	1,285,021	-	1,285,021	1,043,983
Fundraising	184,098	-	184,098	148,596
General and administration	80,479	-	80,479	48,056
 Total expenses	 <u>1,549,598</u>	 <u>-</u>	 <u>1,549,598</u>	 <u>1,240,635</u>
Change in net assets	794,254	(232,140)	562,114	832,389
Net assets at beginning of year	<u>1,754,783</u>	<u>591,906</u>	<u>2,346,689</u>	<u>1,514,300</u>
Net assets at end of year	\$ <u><u>2,549,037</u></u>	\$ <u><u>359,766</u></u>	\$ <u><u>2,908,803</u></u>	\$ <u><u>2,346,689</u></u>

**FLYING KITES, INC.**

***Statement of Cash Flows***

***For the Year Ended December 31, 2018***

*(with comparative totals for the year ended December 31, 2017)*

	<u>2018</u>	<u>2017</u>
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ 562,114	\$ 832,389
Adjustments to reconcile change in net assets to net cash provided by activities:		
Depreciation expense	47,542	22,421
Net present value discount	(1,583)	(2,680)
Change in:		
Restricted cash	171,746	(379,586)
Cash held for others	(123,023)	-
Accounts receivable	(7,822)	-
Pledges receivable	(77,296)	(328,300)
Security deposit	3,314	(2,564)
Accounts payable and accrued expenses	66,624	14,485
Net cash provided by operations	<u>641,616</u>	<u>156,165</u>
<i>Cash flows from investing activities:</i>		
Construction costs	(479,444)	(678,661)
Purchases of furniture and equipment	(53,796)	-
Net cash used in investing activities	<u>(533,240)</u>	<u>(678,661)</u>
Net change in cash and cash equivalents	108,376	(522,496)
Cash and cash equivalents, beginning of year	<u>299,753</u>	<u>822,249</u>
Cash and cash equivalents, end of year	<u>\$ 408,129</u>	<u>\$ 299,753</u>

**FLYING KITES, INC.**

*Statement of Functional Expenses*

**For the Year Ended December 31, 2018**

*(with summarized comparative totals for the year ended December 31, 2017)*

	<u>Program</u> <u>Expenses</u>	<u>Fundraising</u> <u>Expenses</u>	<u>General and</u> <u>Administrative</u> <u>Expenses</u>	<u>2018</u>	<u>Total</u>	<u>2017</u>	<u>Total</u>
Salaries	\$ 213,282	\$ 72,095	\$ 15,020	\$ 300,397		\$ 257,521	
Payroll taxes	16,317	5,515	1,149	22,981		19,700	
Fringe benefits	11,802	3,990	831	16,623		-	
Flying Kites Academy expenses	833,247	-	-	833,247		649,248	
Rents	24,987	3,961	1,177	30,125		36,683	
Professional service fees	49,615	-	5,720	55,335		42,419	
Meals	-	-	-	-		309	
Merchant fees	1,551	14,468	-	16,019		21,006	
Software expenses	5,153	11,299	-	16,452		11,793	
Office supplies	-	-	6,658	6,658		2,092	
Insurance expense	273	-	1,256	1,529		1,854	
Miscellaneous expenses	144	-	434	578		1,562	
Adventure Challenges Program expense	43,981	-	-	43,981		52,563	
Postage and delivery	923	154	462	1,539		1,313	
Telephone and internet	462	77	230	769		-	
Advertising	1,413	1,414	-	2,827		9,825	
Website expenses	1,463	1,469	-	2,932		374	
Fundraising expenses	-	68,434	-	68,434		66,853	
Travel and meetings	10,988	1,222	-	12,210		12,596	
Depreciation	-	-	47,542	47,542		22,421	
In-kind contributions	69,420	-	-	69,420		30,503	
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>		<u>          </u>	<u>          </u>
Total expenses	\$ <u>1,285,021</u>	\$ <u>184,098</u>	\$ <u>80,479</u>	\$ <u>1,549,598</u>		\$ <u>1,240,635</u>	



# FLYING KITES, INC.

## *Notes to Financial Statements*

### *For the Year Ended December 31, 2018*

*(with summarized comparative totals for the year ended December 31, 2017)*

#### **Note 1 - Organization and Background.**

Flying Kites, Inc. (the “Organization” or “Flying Kites”) was organized in Rhode Island on November 17, 2006, as a not-for-profit corporation under the provisions of Rhode Island General Laws Chapter 7-6, as amended. The Organization provides a competitive, Whole Child education and access to integrative services for vulnerable students in rural Kenya, inspiring lifelong learners who have the tools, skills, and growth mindset to positively impact their families, communities, and country as self-sufficient and productive citizens.

The Organization moved its operations to Massachusetts in 2013 and reorganized as a not-for-profit corporation under Massachusetts General Laws in September 2013.

#### **Programs:**

**Flying Kites Academy (“FKA”):** FKA serves as a model school in a region where access to a basic education is not guaranteed. Here, vulnerable students receive a competitive primary education and integrative support aimed at meeting the needs of the Whole Child – including meals, arts and athletic programs, access to medical care and social services – to ensure that all students are healthy, safe, engaged, challenged, and supported.

**Flying Kites School Network (“FKSN”):** FKSN is a cohort of 4 resource-poor public primary schools in the South Kinangop District. In partnership with the Kenya Ministry of Education, and in collaboration with program-implementing non-profit partners, Flying Kites supports schools in the FKSN with intensive interventions aimed at helping them meet the needs of the Whole Child.

**Teacher Training Institute (TTI)** – The Organization’s commitment to investing in its own teachers has been the single-most important factor in the delivery of Flying Kites’ Whole Child model. Unfortunately, teachers in its school network lack access to resources and training to help foster and develop their own basic teaching skills. Through the TTI, Flying Kites aims to equip rural Kenya’s teachers with the tools they need to create challenging, nurturing and supportive classroom experiences.

**The Village** - Schools in Flying Kites’ network receive access to the Organization’s cohort of government, non-profit, and private partners, collectively referred to as “The Village”, which collaborate within the network to deliver coordinated interventions that help schools overcome challenges, combat gender-based violence and address barriers to learning, such as lack of clean water, school resources, uniforms, and more.

**Adventure Challenge Program:** Through Flying Kites’ Adventure Challenge Program, participants have the opportunity to climb Mt. Kilimanjaro or run in the Boston Marathon and raise funds and awareness that directly support Flying Kites’ work in rural Kenya.

**Student Sponsorship Program:** Flying Kites’ Student Sponsorship Program connects individual donors with the student body at Flying Kites Academy. Sponsorship funds help to cover the costs associated with educating all of the students at Flying Kites. Examples include: providing three healthy meals every day; fueling the school bus that brings students safely to and from school every day; filling classrooms with books, art supplies, and calculators; retaining qualified and dedicated teachers, tutors, cooks, etc.; maintaining a safe and welcoming campus; and much, much more.

# FLYING KITES, INC.

## *Notes to Financial Statements*

### *For the Year Ended December 31, 2018*

*(with summarized comparative totals for the year ended December 31, 2017)*

#### **Note 2 - Summary of Significant Accounting Policies**

##### ***Basis of Accounting and Presentation***

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred. Unconditional support is recognized when notification of the contribution is received.

Not-for-profit accounting requires that net assets, revenues, expenses, and gains and losses be 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. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Expenses are reported as decreases in net assets. Expirations of donor imposed restrictions recognized as net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions. Donor restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are placed in service.

Earnings related to restricted net assets will be included in net assets without donor-restrictions unless specifically required to be included in donor-restricted net assets by the donor or by applicable state law.

Net assets with donor restriction amounted to \$359,766 and \$591,906 as of December 31, 2018 and 2017, respectively (Note 6).

##### ***Cash and Cash Equivalents***

For the purposes of the statements of cash flows, the Organization considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

##### ***Use of Estimates and Assumptions***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates 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 revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

**FLYING KITES, INC.**

*Notes to Financial Statements*

***For the Year Ended December 31, 2018***

*(with summarized comparative totals for the year ended December 31, 2017)*

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Advertising***

Advertising costs are expensed as incurred. Advertising expenses incurred by the Organization for the years ended December 31, 2018 and 2017 were \$2,827 and 9,825, respectively.

***Property and Equipment***

Property, equipment, furnishing, and improvement purchases in excess of \$500 are capitalized at cost, if purchased, or if donated, at fair market value at the date of receipt. Expenditures for maintenance, repairs and renewals are charged to expense as incurred; whereas major betterments are capitalized as additions to property and equipment. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and constructions	39 years
Furniture and fixtures	3-5 years
Computers and equipment	3-5 years

***Revenue Recognition***

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions subject to donor-imposed stipulations that are met in the same reporting period are reported as unrestricted support. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

***Contributions***

The Organization reports gifts of land, building, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

The Organization follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, *Accounting for Contributions Received and Contributions Made*. This financial accounting standard requires that contributions be recorded as receivables and revenues and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions.

# FLYING KITES, INC.

## *Notes to Financial Statements*

### *For the Year Ended December 31, 2018*

*(with summarized comparative totals for the year ended December 31, 2017)*

#### **Note 2 - Summary of Significant Accounting Policies (Continued)**

##### *Advertising (Continued)*

Contributions may include gifts of cash, collection items, or promises to give. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction until restriction conditions are satisfied, at which time temporarily restricted net assets are reclassified to unrestricted net assets.

##### *Contributed Goods and Services*

The Organization records various types of in-kind support including contributed facilities and professional services. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as “in-kind revenue” are offset by amounts included in expenses or fixed assets.

Additionally, the Organization may receive amounts of skilled, contributed time, which does not meet the two recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

##### *Allowance for Doubtful Accounts*

When necessary, the Organization provides an allowance for doubtful accounts equal to estimated bad debt losses. The estimated losses are based on historical collection experience together with a review of the current status of existing receivables. Note 7 provides detailed information on the status and net present value of pledges receivable as of December 31, 2018 and 2017. All pledges are expected to be collected in full; therefore, no allowance for bad debt was recorded as of December 31, 2018 and 2017.

##### *Income Tax Status*

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an Organization that is not a private foundation under Section 509(a)(1). The Organization is also exempt from Massachusetts and Rhode Island state taxes.

The Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements, and no interest and penalties have been recorded in the accompanying financial statements related to uncertain tax positions.

##### *Promises To Give*

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

# FLYING KITES, INC.

## *Notes to Financial Statements*

### *For the Year Ended December 31, 2018*

*(with summarized comparative totals for the year ended December 31, 2017)*

#### **Note 2 - Summary of Significant Accounting Policies (Continued)**

##### ***Functional Expenses***

The costs of providing the Organization's programs and other activities have been presented in the statements of functional expenses. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Center. Expenses that can be identified with a specific program and/or support service are allocated directly according to their natural expenditure classification.

##### ***Foreign Currency Translation***

Assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the current rate of exchange on the last day of the reporting year. Revenues and expenses are generally translated using average exchange rates for the year.

#### **Note 3 – Adoption of Accounting Pronouncement**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

The Organization adopted the ASU effective January 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets. The Organization net assets previously reported as unrestricted are now reported as net assets without donor restrictions, and net assets previously reported as restricted are now reported as net assets with donor restrictions.

#### **Note 4 - Concentrations of Credit Risk**

The Organization maintains its cash balances in bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash and cash equivalents.

# FLYING KITES, INC.

## Notes to Financial Statements

### For the Year Ended December 31, 2018

(with summarized comparative totals for the year ended December 31, 2017)

#### Note 4 - Concentrations of Credit Risk (Continued)

Management monitors and evaluates the allowance for doubtful accounts to ensure that receivables are stated at their net realizable value. Management believes that the remaining receivable balances do not represent any significant credit risk to the Organization.

#### Note 5 - Fixed Assets

Fixed assets consisted of the following as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land	\$ 69,054	69,054
Buildings and improvements	1,724,210	1,086,504
Construction-in-progress	-	158,262
Furniture and equipment	82,705	28,909
	<u>1,875,969</u>	<u>1,342,729</u>
Less accumulated depreciation	<u>(119,820)</u>	<u>(72,278)</u>
	<u>\$ 1,756,149</u>	<u>\$ 1,270,451</u>

In September 2017, the Organization completed the construction of a new building on the Flying Kites Academy (“FKA”) campus. The total cost for the building was \$186,317, including \$56,589 in construction costs incurred in 2017 and \$129,728 in 2016.

In October 2017 the Organization started the construction of an Academic Building and Teacher Training Institute facility on the FKA campus. Construction costs incurred for the new facility during the years ended December 31, 2018 and 2017 amounted to \$479,444 and \$158,262, respectively. The Academic Center and Teacher Training Institute building was completed in September 2018.

The Organization also performed various remodeling and renovations work on existing facilities on the FKA during 2018 and 2017.

Depreciation expense for the years ended December 31, 2018 and 2017 was \$47,542 and \$22,421, respectively.

#### Note 6 – Net Assets with Donor Restrictions

Net assets with donor restrictions amounted to \$359,766 and \$591,906 as of December 31, 2018 and 2017, respectively. Those amounts consisted of unexpended capital campaign funds, pledges receivable with time and/or program restrictions, and undisbursed agency funds held on behalf of fiscally sponsored organizations, as follows:

	<u>2018</u>	<u>2017</u>
Capital campaign funds	\$ 207,840	379,586
Pledges receivable	28,903	212,320
Fiscal agency funds	<u>123,023</u>	<u>-</u>
	<u>\$ 359,766</u>	<u>\$ 591,906</u>

# FLYING KITES, INC.

## Notes to Financial Statements

### For the Year Ended December 31, 2018

(with summarized comparative totals for the year ended December 31, 2017)

#### Note 7 - Pledges Receivable

Pledges receivable represents unconditional promises to give. Unconditional promises to give are recorded as receivables and revenue when received. The Organization distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Pledges are recorded after being discounted to the anticipated net present value of the future cash flows.

Pledges are expected to be realized in the following periods as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
In one year or less	\$ 462,296	\$ 315,000
Between one year and five years	<u>30,000</u>	<u>100,000</u>
	492,296	415,000
Less:		
Net present value discount, at 2%	<u>(1,097)</u>	<u>(2,680)</u>
	<u>\$ 491,199</u>	<u>\$ 412,320</u>

#### Note 8 – Related Party Transactions

The Organization's Executive Director sits on the Organization's Board of Directors as non-voting member, and her spouse is an employee of the Organization. The executive director and her spouse were paid wages of \$91,667 and \$48,000, respectively, in 2018, and \$90,000 and \$40,000, respectively, in 2017.

#### Note 9 - Leases

In January 2015 the Organization entered into a tenant-at-will lease agreement for new office space located in Boston, Massachusetts, through January 1, 2018. During 2016 the Organization moved to larger office space, and monthly rent payments under the lease increased from \$1,530 to \$2,244 as of April 1, 2016. The Organization moved to a new larger office space again in 2017, and monthly rent payments under a new lease increased to \$3,960 as of March 1, 2017.

In February 2019 the Organization entered into a 1-year lease agreement for new office space located in Wellesley, Massachusetts. The lease rent term is from March 15 2018 through February 2023. Base rents under the new lease are payable in monthly installment due at the beginning of each month. Monthly rents are \$2,500 per month.

Future minimum lease commitments are as follows:

Year ending December 31,	
2019	\$ 5,000

Rent expense for the years ended December 2018 and 2017 was \$30,125 and \$36,683, respectively.

#### Note 10 - Contributed goods and services

The Organization received donated goods and services valued at \$69,420 and \$30,503 during for the years ended June 30, 2018 and 2017, respectively. These amounts are included in contributed goods and services revenue, and in-kind contributions expenses on the accompanying statements of activities and statements of functional expenses.

# FLYING KITES, INC.

## *Notes to Financial Statements*

### *For the Year Ended December 31, 2018*

*(with summarized comparative totals for the year ended December 31, 2017)*

#### **Note 11 - Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$	738,992
Accounts receivable		7,822
Pledges receivable		<u>491,199</u>
# Total financial assets		1,238,013
Less amounts not available to be used within one year		
Due to:		
Donor-Imposed restrictions:		
Funds held with purpose restrictions		(330,863)
Pledges receivable restricted by time		<u>(28,903)</u>
Total financial assets available to meet cash needs for general expenditures within one year	\$	<u><u>878,247</u></u>

The Organization manages its liquidity by developing and adopting annual and monthly operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations. As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditure, liabilities and other obligations come due.

#### **Note 12 – Fiscal Sponsorship**

In 2018 the Organization entered into an agency relationship with the Leo Project “the Project”, a California based non-profit organization operating in Nanyuki, Kenya, and whose mission, programs and activities are consistent and aligned with Flying Kites’. Under the terms of the agency agreement, the Organization provides fiscal sponsorship to the Project under Flying Kites’ tax-exempt status, which permits the Project to utilize Flying Kites’ exempt status to fundraise at events, from individuals, corporations, and foundations by requesting that tax-deductible donations be made to Flying Kites’ for the Project, to support the programs and activities of the Project. The Organization also acts as a fiscal sponsor agreement for the Honi School, a Kenya-based organization.

During the year ended December 31, 2018 the Organization received agency contributions on behalf of the fiscally sponsored organizations totaling \$193,142, of which \$123,023 remained undisbursed as of December 31, 2018. The undisbursed agency funds are included in cash held for others and in net assets with donor restrictions on the accompanying statements of position. Fiscal sponsorship contributions received by the Organization in 2018 and 2017 are included in fiscal sponsorship income on the accompanying statements of activities.

#### **Note 13 – New Accounting Pronouncement**

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ASU No. 2018-08, *Clarifying the scope and the Accounting guidance for contributions received and contributions made*, which is intended to clarify the accounting guidance for contributions received and contributions made.



# FLYING KITES, INC.

## *Notes to Financial Statements*

### *For the Year Ended December 31, 2018*

*(with summarized comparative totals for the year ended December 31, 2017)*

#### **Note 13 – New Accounting Pronouncement (Continued)**

The amendments in this ASU should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance. For the Organization, the ASU will be effective for the year ending December 31, 2019.

On February 2016, FASB issued ASU No. 2016-02, *Leases* (Topic 842). This new standard is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their balance sheet the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity's balance sheet. For the Organization, the ASU will be effective for the year ending December 31, 2019.

On November 17, 2016, FASB issued ASU No. 2016-08, *Statement of Cash* (Topic 230) – *Restricted Cash*. This new standard intends to eliminate diversity in practice by requiring the statement of cash flows to present the change in the total cash and cash equivalents, which will include restricted cash and cash equivalents. For the Organization, the ASU will be effective for the year ending December 31, 2019.

#### **Note 14 - Subsequent Events**

Subsequent events have been evaluated through May 30, 2019, which is the date the financial statements were available to be issued.