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FLYING KITES, INC.

Financial Statements

Year Ended December 31, 2021

Mission Statement

From our campus in the foothills of Kenya's Aberdare Mountains, Flying Kites is transforming the quality of primary and early childhood education delivered within resource-poor public schools by building the capacity of teachers to improve student outcomes.

www.flyingkites.org

FLYING KITES, INC.

Financial Statements

Year Ended December 31, 2021

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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, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 Flying Kites, Inc. as of December 31, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Flying Kites, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Flying Kites, 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 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 Flying Kites, 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 Flying Kites, 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.

Report on Summarized Comparative Information

We have previously audited Flying Kites, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 8, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, 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
September 23, 2022

FLYING KITES, INC.

Statement of Financial Position

As of December 31, 2021

(with comparative totals as of December 31, 2020)

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	$ 1,511,415	$ 1,384,049
Investments	414,130	-
Accounts receivable	190,139	69,946
Pledges receivable, current	40,000	283,215
Prepaid expenses	382	193
Total current assets	2,156,066	1,737,403
Property and equipment, net	1,801,757	1,835,954
Security deposit	3,635	-
Pledges receivable (net of discount of $22,925 and $3,593 as of December 31, 2021 and 2020, respectively)	382,075	123,664
Total assets	$ 4,343,533	$ 3,697,021
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 33,575	$ 6,000
Total liabilities	33,575	6,000
Net assets:		
Without donor restrictions	3,927,883	3,511,358
With donor restrictions	382,075	179,663
Total net assets	4,309,958	3,691,021
Total liabilities and net assets	$ 4,343,533	$ 3,697,021

FLYING KITES, INC.

Statement of Activities

For the Year Ended December 31, 2021

(with summarized comparative totals for the year ended December 31, 2020)

	2021			2020
	Without Donor Restrictions	*With Donor Restrictions*	*Total*	*Total*
Support and revenue:				
Individual contributions	$ 299,431	$ 342,075	$ 641,506	$ 877,329
Grant income	1,000,940	-	1,000,940	717,653
Programs income:				
Adventure Challenge Program	64,147	-	64,147	13,463
Student Sponsorship Program	136,500	-	136,500	172,996
Fiscal sponsorship income	-	85,465	85,465	158,275
Events income	-	-	-	3,483
Contributed goods and services	206,783	-	206,783	97,328
Investment income	14,131	-	14,131	-
Net assets released from donor restrictions	225,128	(225,128)	-	-
Total support and revenue	1,947,060	202,412	2,149,472	2,040,527
Expenses:				
Program services	1,374,679	-	1,374,679	1,432,340
Fundraising	86,628	-	86,628	93,652
General and administration	69,228	-	69,228	95,520
Total expenses	1,530,535	-	1,530,535	1,621,512
Change in net assets	416,525	202,412	618,937	419,015
Net assets at beginning of year	3,511,358	179,663	3,691,021	3,272,006
Net assets at end of year	$ 3,927,883	$ 382,075	$ 4,309,958	$ 3,691,021

FLYING KITES, INC.

Statement of Cash Flows

For the Year Ended December 31, 2021

(with comparative totals for the year ended December 31, 2020)

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 618,937	$ 419,015
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	68,892	62,948
Realized and unrealized gains on investments	(10,067)	-
Net present value discount	19,332	3,364
Change in:		
Accounts receivable	(120,193)	5,937
Pledges receivable	(34,528)	(187,223)
Prepaid expenses	(189)	(193)
Security deposit	(3,635)	2,250
Accounts payable and accrued expenses	27,575	1,943
Net cash provided by operations	566,124	308,041
Cash flows from investing activities:		
Construction and improvement costs	(20,056)	(40,700)
Purchases of furniture and equipment	(22,665)	(31,451)
Purchases of investments	(464,059)	-
Proceeds from sales of investments	68,022	-
Net cash used in investing activities	(438,758)	(72,151)
Net change in cash and cash equivalents	127,366	235,890
Cash and cash equivalents, beginning of year	1,384,049	1,148,159
Cash and cash equivalents, end of year	$ 1,511,415	$ 1,384,049

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

FLYING KITES, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2021

(with summarized comparative totals for the year ended December 31, 2020)

	Program Expenses	Fundraising Expenses	General and Administrative Expenses	2021 Total	2020 Total
Salaries	$ 216,426	$ 40,580	$ 13,527	$ 270,533	$ 285,266
Payroll taxes	16,557	3,104	1,035	20,696	21,823
Fringe benefits	25,173	4,720	1,573	31,466	29,788
Flying Kites Teacher Training Center and FK School Network expenses	704,209	-	-	704,209	969,823
Creative content	633	634	634	1,901	4,814
Rents	6,970	6,970	6,970	20,910	17,375
Professional service fees	134,936	3,551	3,551	142,038	77,415
Merchant fees	2,814	8,444	-	11,258	18,168
Software expenses	4,222	4,222	4,222	12,666	14,124
Office supplies	1,012	1,012	1,012	3,036	3,329
Insurance expense	864	865	865	2,594	1,320
Miscellaneous expenses	-	-	608	608	1,103
Postage and delivery	3,137	3,923	785	7,845	4,343
Charitable donations	14,896	-	-	14,896	-
Website expenses	519	519	-	1,038	-
Fundraising and events expenses	1,082	3,245	-	4,327	10,246
Travel and meetings	-	4,839	-	4,839	2,299
Depreciation	34,446	-	34,446	68,892	62,948
In-kind contributions	206,783	-	-	206,783	97,328
Total expenses	$ 1,374,679	$ 86,628	$ 69,228	$ 1,530,535	$ 1,621,512

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 is transforming primary education in rural Kenya.

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 believe that education is a path out of poverty. From its campus in the remote mountains of Kenya, the Organization partners with resource-poor schools to help them ensure that more children come to school, stay in school, and thrive in school.

The Organization's approach is centered around a hub-and-spoke model to address the top barriers to learning in districts through the following:

1. **Training Teachers**: Currently, in rural public schools, the majority of teachers lack access to training to equip their students with the basics of a primary education, and many students remain functionally illiterate or innumerate despite having completed multiple years of schooling. We operate our district's first Teacher Training Center in order to provide teachers with the support they need to significantly improve student outcomes.
2. **Providing Clean Water & School Meals**: Clean water and school meals provide a critical foundation for the health and well-being of students. We partner with resource-poor schools to support the construction of new latrines, sufficient WASH stations, and kitchens to serve the 4,591 students and 134 teachers across the schools in our Network.
3. **Investing in Girls**: Female students in our district are at increased risk physically, emotionally and academically. Our Girls United Initiative provides vulnerable girls in upper primary school with access to a comprehensive curriculum designed to help them stay safe and in school, while also providing access to mentorship and health resources.

Through Flying Kites' **Adventure Challenge Program**, participants have the opportunity to climb Mt. Kilimanjaro, run in the Boston Marathon and go on safari while raising funds and awareness that directly support Flying Kites' work in rural Kenya.

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 students. 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.

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.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting and Presentation (Continued)

The Organization's financial statement presentation includes the requirements of Accounting Standards Codification (ASC) *No. 958 Not-for-Profit Entities*. Under ASC No. 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. The Organization classifies donor-restricted contributions as net assets without donor restrictions when the restrictions are satisfied in the same reporting period in which the contributions were received. Accordingly, net assets of the Organization, and changes therein, are classified and reported under provisions of ASC No. 958, based on the existence or absence of donor-imposed stipulations as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The Organization's board of directors may, at its discretion, designate net assets without donor restrictions for specific purposes.

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 $382,075 and $179,663 as of December 31, 2021 and 2020, respectively (Note 9).

Cash and Cash Equivalents

For purposes of the statement of financial position and the statement of cash flows, The Organization considers all unrestricted cash held in demand accounts, cash held in savings accounts and other highly liquid resources with an original maturity of three months or less when purchased, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

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.

Note 2 - Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

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

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Interest, dividends, realized and unrealized gains and losses are included in investment income, which is presented net of investment expenses in the accompanying statement of activities and change in net assets.

Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Investments in annuity contracts are carried at the fair value determined by an insurance company.

Investment income and gains restricted by a donor are reported as increase in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Increases or decreases in market value are recorded as unrealized gains or losses on investments.

Donated investments are recorded at fair value based on quoted market prices at the time of receipt. Unless restricted by the donor, it is the Organization's policy to sell all donated investments upon receipt.

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.

Revenue Recognition

The Organization receives contributions and grants from individuals and other private entities. Contributions and grants are recognized in the appropriate category of net assets in the period received. The Organization performs an analysis of the individual contribution and grant to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Revenue Accounted for in Accordance with Contribution Accounting

Contributions

The Organization follows the requirements of the Financial Accounting Standards Board ("FASB") in its Statement of Financial Accounting Standards, Accounting for Contributions Received and Contributions Made, as updated by FASB ASU 2018-08, Clarifying the Scope of Accounting Guidance 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. 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 net assets with donor restrictions until the restriction conditions are satisfied, at which time it is reclassified to net assets without donor restrictions.

Grants and contributions that are nonreciprocal are recognized as revenue when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. The Organization reports gifts of cash and other assets as restricted support if they are received or promised with donor stipulations that limit the use of the donated funds to one of the Organization's programs or to a future year.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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.

Contributions subject to donor-imposed stipulations that are met in the same reporting period are reported as unrestricted support. 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.

Conditional contributions contain a donor-imposed condition that represents a barrier that must be overcome before the Organization is entitled to the assets transferred or promised. Failure to overcome the barrier gives the donor a right of return of the assets it has transferred or gives the promisor a right of release from its obligation to transfer its assets. Conditional contributions are recognized as revenue, either with or without donor restrictions, when donor-imposed conditions are substantially met, and any barriers are overcome. Donor restrictions are also satisfied when qualifying expenditures are incurred for the donor-specified program.

Contributed Goods and Services

The Organization records various types of in-kind support including contributed goods, property 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.

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

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.

Revenue Accounted for as Contracts with Customers

Revenue is recognized when the Organization satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Organization expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Organization combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

Revenue requiring a performance obligation by transferring a good to, or performing a service for, a customer consists of tours and adventure programs. Revenue is recognized when purchased tours or adventure programs take place. Revenue from adventure programs amounted to $64,147 and $13,463 for the years ended December 31, 2021 and 2020, respectively.

Grant Revenue

The Organization derives revenues through grants received from various private foundations and individual grantors. Accordingly, the Organization may be subject to the regulations and reporting requirements of the applicable grantors. Grant revenue is recorded in accordance with the provisions of the applicable award amounts, including the recognition of any purpose or time restriction on the use of the proceeds.

Accounts Receivable

Accounts receivable are stated at their net realizable value. 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 6 provides detailed information on the status and net present value of pledges receivable as of December 31, 2021 and 2020. All pledges are expected to be collected in full; therefore, no allowance for bad debt was recorded as of December 31, 2021 and 2020.

Advertising

Advertising costs are expensed as incurred. No advertising expense was incurred by the Organization for the years ended December 31, 2021 and 2020.

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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 Organization. Expenses that can be identified with a specific program and/or support service are allocated directly according to their natural expenditure classification.

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.

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 2018, the FASB issued ASU No. 2018-13, *Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU eliminates, adds and modifies certain disclosure requirements for fair value measurements. Among the changes, entities will no longer be required to disclose the amount of and the reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, but will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. The Organization adopted the ASU effective January 1, 2020. As ASU No. 2018-13 only revises disclosure requirements, its adoption did not have a material impact on the Organization's financial statements.

Note 3 – Adoption of Accounting Pronouncement (Continued)

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "*Revenue from Contracts with Customers (Topic 606)*", as amended, as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Organization adopted the new standard effective January 1, 2020. The adoption of this ASU did not have a significant impact on the Organization's financial statements. The majority of the Organization's revenue arrangements within the scope of the new standard generally consist of a single performance obligation to transfer promised services. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Note 4 - Fixed Assets

Fixed assets consisted of the following as of December 31, 2021 and 2020:

		2021		***2020***
Land	$	69,054	$	69,054
Buildings and improvements		1,918,910		1,898,854
Furniture and equipment		136,821		114,156
		2,124,785		2,082,064
Less accumulated depreciation		(323,028)		(246,110)
	$	1,801,757	$	1,835,954

In August 2019 the Organization started the construction of a new preschool building facility for the FKA campus, which was completed in 2020, and put into operation in 2021. Total construction costs for the facility amounted to $96,134.

Depreciation expense for the years ended December 31, 2021 and 2020 was $68,892 and $62,948, respectively.

Note 5 - 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.

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 6 - Fair Value Measurements

The Organization has adopted FASB ASC 820, *Fair Value Measurements and Disclosures*, as amended by FASB Accounting Standards Update No. 2010-06, which defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Organization considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

FASB ASC 820 also establishes a fair value hierarchy that requires the Organization to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The categorization of each investment type within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. FASB ASC 820 establishes three levels of inputs that may be used to measure fair value:

- Level 1: quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2: inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or
- Level 3: unobservable inputs that are supported by little or no market activity and that reflect the Organization's own assumptions about market participants and investment prices.

The following is a description of the valuation methodologies used for assets measured at fair value:

- *Equity securities*: Equity securities are recorded at quoted market price.
- *Fixed income securities*: Fixed income securities are recorded at amortized cost, which approximates fair value, and are considered to be held-to maturity securities.

Note 7 – Investments

Investments included on the accompanying statement of position at December 31, 2021 reflect funds invested in equity and fixed income securities. Those investments are reported at their fair values as based on quoted prices in active markets (all Level 1 measurements), and cash held in brokerage bank sweep accounts. Those investments are reported at their fair values and summarized as follows, at December 31, 2021. The Organization did not have investments at December 31, 2020.

The fair values of financial instruments appearing on the accompanying statement of financial position have the following valuation approaches as defined by FASB ASC 820 hierarchy:

- Assets utilizing Level 1 inputs at December 31, 2021 included equity securities. The carrying value and fair market value of those securities at December 31, 2021 was $257,607 and $268,798, respectively. There were no liabilities utilizing Level 1 inputs at December 31, 2021.
- Assets utilizing Level 2 inputs at December 31, 2021 included fixed income securities. The carrying value and fair market value of those securities at December 31, 2021 was $146,832 and $144,582, respectively. There were no liabilities utilizing Level 2 inputs at December 31, 2021.

Note 7 – Investments (Continued)

- There were no assets or liabilities utilizing Level 3 inputs at December 31, 2021.

Investments and related income as of and for the year ended December 31, 2021 are as followed:

	2021		
	Fair Value	***Cost***	***Unrealized Gain (Loss)***
Cash	$ 751	$ 751	$ -
Equity securities	268,798	257,607	11,191
Fixed income securities	144,582	146,832	(2,250)
Total	$ 414,131	$ 405,190	$ 8,941

Investment earnings for the year ended December 31, 2021 are as follows:

Interest and dividends	$ 4,647
Realized gain (loss)	966
Change in unrealized gain	8,941
Total investment income	14,554
Less: investment expenses	(423)
Total investment income	$ 14,131

Note 8 - 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, 2021 and 2020:

	2021	**2020**
In one year or less	$ 40,000	$ 283,215
Between one year and five years	405,000	127,257
	445,000	410,472
Less:		
Net present value discount	(22,925)	(3,593)
	$ 422,075	$ 406,879

Note 9 – Net Assets with Donor Restrictions

Net assets with donor restrictions amounted to $382,075 and $179,663 as of December 31, 2021 and 2020, respectively. Those amounts consisted of pledges receivable with time and/or program restrictions.

Note 10 - 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:

	2021	2020
Cash and cash equivalents	$ 1,514,465	$ 1,384,049
Investments	414,130	-
Accounts receivable	190,139	69,946
Pledges receivable	422,075	406,879
Prepaid expenses	382	193
Total financial assets	2,541,191	1,861,067
Less amounts not available to be used within one		
Due to donor-imposed restrictions:		
Pledges receivable restricted by time	(382,075)	(123,664)
Total financial assets available to meet cash needs for general expenditures within one year	$ 2,159,116	$ 1,737,403

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 11 - Contributed goods and services

The Organization received donated goods and services valued at $206,783 and $97,328 during for the years ended December 31, 2021 and 2020, 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.

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.

Note 12 – Fiscal Sponsorship (Continued)

During the years ended December 31, 2021 and 2020 the Organization received agency contributions on behalf of the Project totaling $85,465 and $158,276, respectively, all of which were disbursed to the Project during the respective years. Agency contributions received by the Organization are included in fiscal sponsorship income on the accompanying statements of activities. The agency relationship with the Project ended in 2021.

Note 13 - Leases

In February 2018 the Organization entered into a 1-year lease agreement for new office space located in Wellesley, Massachusetts. The lease term was from March 15 2018 through February 28, 2019. Base rents under the new lease were payable in monthly installment due at the beginning of each month. Monthly rents were $2,250 per month. In May 2019 a lease extension for an additional one-year term through May 31, 2020 was signed by the Organization. Monthly rents under the extended lease were $2,400 per month. The lease ended on May 31, 2020 and was not renewed or extended by the organization.

In October 2020 the Organization entered into a 1-year lease agreement for office space located in Boulder, Colorado. The lease term was from February 1, 2021 through February 28, 2022. Base rents under the lease are payable in monthly installment due at the beginning of each month. Monthly rents are $995 per month.

In November 2021 the Organization entered into a 6-month lease agreement for new office space located in Boston, Massachusetts. The lease term is from January 1, 2022 through June 30, 2022. Base rents under the lease are payable in monthly installments of $1,250, which includes a discount of $450, due at the beginning of each month. In May 2022 the lease was renewed and extended through December, 2022. Discounted base rent under the extended lease of $1,300 is due at the beginning of each month.

Future minimum lease commitments at December 31, 2021 were as follows:

Year ending December 31,	
2022	$ 9,490

Rent expense for the years ended December 31, 2021 and 2020 was $20,910 and $17,375, respectively.

Note 14 – New Accounting Pronouncement

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. This new standard requires lessees to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the method in which expenses are recorded on the statement of operations and changes in net assets. The changes become effective for the Organization on January 1, 2022. Management has not yet determined the impact of adoption on its financial statements.

In September 2020, FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This new standard requires additional presentation and disclosures related to nonfinancial assets contributed to a not-for-profit entity, including separate presentation of contributed nonfinancial assets and disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities. The changes become effective for the Organization for annual periods beginning in January 2022. Management does not believe the impact of the ASU on the Organization's future financial reporting and disclosures will be significant.

Note 15 – Related Party Transactions

The Organization's Executive Director sits on the Organization's Board of Directors as a non-voting member, and her spouse is an employee of the Organization. The Executive Director and her spouse were paid wages of $90,000 and $48,000, respectively, in 2021, and wages of $88,383 and $47,216, respectively, in 2020.

Note 16 – Reclassifications

Certain amounts in the 2020 financial statements have been reclassified to conform to the current year's presentation.

Note 17 - Impact of the Covid-19 Pandemic

The COVID-19 pandemic, the effects of which first became known in January 2020, is having a broad and negative impact on commerce and financial markets across the country. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Organization is closely monitoring its liquidity and cash flows and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Organization's future operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization's funders, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization's financial position and future changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

Note 18 - Subsequent Events

Subsequent events have been evaluated through September 23, 2022, which is the date the financial statements were available to be issued.