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FLYING KITES, INC.

Financial Statements

Year Ended December 31, 2023

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, 2023

Table of Contents

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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, 2023, 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, 2023, 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 15, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, 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 30, 2024

FLYING KITES, INC.

Statement of Financial Position

As of December 31, 2023

(with comparative totals as of December 31, 2022)

		2023		2022
Assets				
Current assets:				
Cash and cash equivalents	$	1,251,944	$	1,534,254
Investments		1,157,337		688,500
Accounts receivable		138,301		35,000
Pledges receivable, current (net of allowance of $30,000 and $6,257 as of December 31, 2023 and 2022, respectively)		334,680		492,031
Prepaid expenses		27,269		383
Total current assets		2,909,531		2,750,168
Property and equipment, net		1,719,194		1,740,196
Security deposit		9,413		8,425
Pledges receivable (net of discount of $29,762 and $13,585 as of December 31, 2023 and 2022, respectively)		595,238		226,415
Total assets	$	5,233,376	$	4,725,204
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued expenses	$	59,718	$	65,917
Deferred revenue		19,044		-
Total current liabilities		78,762		65,917
Total liabilities		78,762		65,917
Net assets:				
Without donor restrictions		4,559,376		4,432,872
With donor restrictions		595,238		226,415
Total net assets		5,154,614		4,659,287
Total liabilities and net assets	$	5,233,376	$	4,725,204

FLYING KITES, INC.

Statement of Activities

For the Year Ended December 31, 2023

(with summarized comparative totals for the year ended December 31, 2022)

	2023			2022
	Without Donor Restrictions	*With Donor Restrictions*	*Total*	*Total*
Operating support and revenue:				
Individual contributions	$ 79,996	$ 595,238	$ 675,234	$ 696,110
Grant income	1,617,250	-	1,617,250	1,097,078
Fiscal sponsorship income	-	4,810	4,810	-
Contributed goods and services	201,365	-	201,365	16,392
Programs income:				
Adventure Challenge Program	60,511	-	60,511	47,228
Student Sponsorship Program	109,028	-	109,028	110,847
Investment income (loss)	135,471	-	135,471	(68,730)
Net assets released from donor restrictions	231,225	(231,225)	-	-
Total operating support and revenue	2,434,846	368,823	2,803,669	1,898,925
Operating expenses:				
Program services	1,966,185	-	1,966,185	1,396,370
Fundraising	177,797	-	177,797	75,969
General and administration	159,035	-	159,035	77,257
Total operating expenses	2,303,017	-	2,303,017	1,549,596
Change in operating net assets	131,829	368,823	500,652	349,329
Non-operating revenue (expense):				
Foreign currency translation adjustment	(5,325)	-	(5,325)	-
Change in net assets	126,504	368,823	495,327	349,329
Net assets at beginning of year	4,432,872	226,415	4,659,287	4,309,958
Net assets at end of year	$ 4,559,376	$ 595,238	$ 5,154,614	$ 4,659,287

FLYING KITES, INC.

Statement of Cash Flows

For the Year Ended December 31, 2023

(with comparative totals for the year ended December 31, 2022)

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 500,652	$ 349,329
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	82,074	71,810
Realized and unrealized gains on investments	(107,056)	81,298
Bad debt expense	30,000	6,257
Net present value discount	16,177	(9,340)
Donated investments	(33,365)	(10,012)
Foreign currency translation adjustment	(5,325)	-
Change in:		
Accounts receivable	(103,301)	155,139
Pledges receivable	(257,649)	(293,288)
Prepaid expenses	(26,886)	(1)
Security deposit	(988)	(4,790)
Accounts payable and accrued expenses	(6,199)	32,342
Deferred revenue	19,044	-
Net cash provided by operations	107,178	378,744
Cash flows from investing activities:		
Construction and improvement costs	(9,750)	-
Purchases of furniture and equipment	(51,322)	(10,249)
Purchases of investments	(364,050)	(367,778)
Proceeds from sales of investments	35,634	22,122
Net cash used in investing activities	(389,488)	(355,905)
Net change in cash and cash equivalents	(282,310)	22,839
Cash and cash equivalents, beginning of year	1,534,254	1,511,415
Cash and cash equivalents, end of year	$ 1,251,944	$ 1,534,254

Supplementary Disclosure of Cash Flow Information:

	2023	2022
Noncash transactions:		
Donated investments	$ 33,365	$ 10,012

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

FLYING KITES, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2023

(with summarized comparative totals for the year ended December 31, 2022)

	Program Expenses	Fundraising Expenses	General and Administrative Expenses	2023 Total	2022 Total
Salaries	$ 220,100	$ 91,708	$ 55,025	$ 366,833	$ 232,000
Payroll taxes	16,838	7,016	4,209	28,063	17,748
Fringe benefits	23,445	9,769	5,861	39,075	17,595
Flying Kites Teacher Training Center and FK School Network	1,140,419	-	-	1,140,419	926,350
Rents	10,238	10,239	10,242	30,719	23,035
Professional service fees	279,603	16,447	32,895	328,945	183,670
Merchant fees	2,182	6,545	-	8,727	5,140
Software expenses	3,762	3,762	3,763	11,287	10,241
Office supplies	2,890	2,888	2,888	8,666	865
Insurance expense	763	763	763	2,289	2,225
Miscellaneous expenses	476	27	27	530	8,775
Postage and delivery	-	3,288	-	3,288	1,929
Advertising	-	-	-	-	493
Fundraising and events expenses	6,510	19,532	-	26,042	7,728
Travel and meetings	15,112	5,813	2,325	23,250	27,355
Depreciation	41,037	-	41,037	82,074	71,810
Bad debts expense	30,000	-	-	30,000	6,257
Fiscal sponsorship expenses	4,810	-	-	4,810	-
In-kind contributions	168,000	-	-	168,000	6,380
Total expenses	$ 1,966,185	$ 177,797	$ 159,035	$ 2,303,017	$ 1,549,596

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

Notes to Financial Statements

For the Year Ended December 31, 2023

(with summarized comparative totals for the year ended December 31, 2022)

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 believes that education is a path out of poverty. In partnership with Kenya's Ministry of Education and resource-poor schools, the Organization is transforming rural Kenyan communities to increase gender equality, alleviate health disparities, spark economic growth, and build a more equitable world by:

1. **Investing in Girls**: Flying Kites invests in girls as agents of change in the community. Its model for school-based Girls United Clubs, led by trained female teachers, ensures that every girl has access to critical information and resources related to her health and is provided with opportunities to exercise her talents and leadership skills in a way that is most relevant to her.
2. **Upskilling Teachers**: Flying Kites provides educators and school leaders from across its network with a multi-faceted approach to capacity building and access to technology that lays the foundation for effective, student-centered instruction and the development of 21st century skills aligned with Kenya's new competency-based curriculum.
3. **Supporting Healthy Schools**: Flying Kites supports resource-poor primary schools in its School Network as they work to address critical barriers to learning, such as lack of access to basic resources, by investing in water, sanitation, and hygiene (WASH) infrastructures and launching school meals programs.

Through the Organization's **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.

Through **Impact Trips**, participants/donors have the opportunity to visit Flying Kites' Kenya campus, meet the team, and see the programs at work in the community.

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 $595,222 and $226,415 as of December 31, 2023 and 2022, 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.

Operating Lease Right–of–Use Asset and Lease Liability

The Organization determines if an arrangement is a lease at inception of the contract. The Organizations’ right-of-use assets represent its right to use the underlying assets for the lease term, and its lease liabilities represent its obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Organization uses its estimated incremental borrowing rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments.

The Organization does not record leases with an initial term of 12 months or less (“short-term leases”) in its Statements of Financial Position.

Note 2 - Summary of Significant Accounting Policies (Continued)

Operating Lease Right–of–Use Asset and Lease Liability (Continued)

The Organization elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. The Organization has also elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial indirect costs for existing leases.

The Organization elected the practical expedient for all leased assets that do not have a readily determinable rate implicit in the lease to use the risk-free rate.

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*.

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.

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

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.

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 $60,511 and $47,228 for the years ended December 31, 2023 and 2022, respectively.

Note 2 - Summary of Significant Accounting Policies (Continued)

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 4 provides detailed information on the status and net present value of pledges receivable as of December 31, 2023 and 2022. Allowance for bad debts was $30,000 and $6,257 as of December 31, 2023 and 2022, respectively.

Advertising

Advertising costs are expensed as incurred. No advertising expense was incurred by the Organization for the year ended December 31, 2023. Advertising expense was $493 for the year ended December 31, 2022.

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.

Note 2 - Summary of Significant Accounting Policies (Continued)

Income Tax Status (Continued)

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.

When applicable, foreign currency translation adjustments have been reported separately in the statements of activities. Accumulated net translation adjustments have been included within net assets without donor restrictions in the statements of financial position.

Note 3 - Adoption of Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2016-02, *Leases* (Topic 842), as amended. FASB Accounting Standards Codification ("ASC") 842 supersedes the lease requirements in FASB ASC 840. The new standard requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. It establishes a right of use ("ROU") that requires the lessee to recognize an ROU asset and lease liability on the balance sheet for all leases with a term longer than twelve months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

The Organization adopted the standard effective January 1, 2022 and recognized and measured leases existing on that date, with certain practical expedients available. Accordingly, the Organization applied the guidance to each lease that had commenced as of the adoption date and also elected a package of practical expedients which included the following: no requirement to reassess (a) whether any expired or existing contracts are, or contain, leases, (b) the lease classification for any expired or existing leases, and (c) the recognition requirements for initial direct costs for any existing leases.

The Organization also elected a practical expedient to account for lease and non-lease components as a single lease component. The Organization excluded short-term leases having initial terms of twelve months or less from the new guidance as an accounting policy election, and recognizes rent expense for such leases on a straight-line basis over the lease term. In calculating the related lease liabilities at the time of adoption, the Organization elected to use the risk-free rate as the discount rate. Lease disclosures for the year ended December 31, 2022 are made under prior lease guidance in FASB ASC 840.

The Organization did not have any leasing arrangement with initial terms of twelve months or more during 2023 and 2022, as a result, the adoption did not have any effect on amounts reported in the statements of activities or the statements of position for the years ended December 31, 2023 and 2022.

Note 3 - Adoption of Accounting Pronouncement (Continued)

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 became effective for the Organization on January 1, 2022. The adoption of this ASU did not have a significant impact on the Organization's financial statements and disclosures.

Note 4 - 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, 2023 and 2022:

	2023	2022
In one year or less	$ 364,680	$ 498,288
Between one year and five years	625,000	240,000
	989,680	738,288
Less:		
Allowance for bad debts	(30,000)	(6,257)
Net present value discount	(29,762)	(13,585)
	$ 929,918	$ 718,446

Note 5 - 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

Note 5 - Fair Value Measurements (Continued)

- 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 6 - 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 7 - Investments

Investments included on the accompanying statements of position at December 31, 2023 and 2022 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, 2023 and 2022.

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, 2023 and 2022 included equity securities. The carrying value and fair market value of those securities at December 31, 2023 was $718,302 and $753,342, respectively. The carrying value and fair market value of those securities at December 31, 2022 was $506,233 and $443,305, respectively. There were no liabilities utilizing Level 1 inputs at December 31, 2023 and 2022.
- Assets utilizing Level 2 inputs at December 31, 2023 and 2022 included fixed income securities. The carrying value and fair market value of those securities at December 31, 2023 was $407,221 and $391,032, respectively. The carrying value and fair market value of those securities at December 31, 2022 was $261,601 and $233,643, respectively. There were no liabilities utilizing Level 2 inputs at December 31, 2023 and 2022.
- There were no assets or liabilities utilizing Level 3 inputs at December 31, 2023 and 2022.

FLYING KITES, INC.

Notes to Financial Statements

For the Year Ended December 31, 2023

(with summarized comparative totals for the year ended December 31, 2022)

Note 7 - Investments (Continued)

Investments and related income as of and for the years ended December 31, 2023 and 2022 are as followed:

	2023		
	Fair Value	*Cost*	*Unrealized Gain (Loss)*
Cash	$ 12,963	$ 12,963	$ -
Equity securities	753,342	718,302	35,040
Fixed income securities	391,032	407,221	(16,189)
Total	$ 1,157,337	$ 1,138,486	$ 18,851

Investment earnings for the year ended December 31, 2023 are as follows:

Interest and dividends	$ 34,265
Realized gain (loss)	(2,681)
Change in unrealized gain	109,737
Total investment income	141,321
Less: investment expenses	(5,850)
Total investment income	$ 135,471

	2022		
	Fair Value	*Cost*	*Unrealized Gain (Loss)*
Cash	$ 11,552	$ 11,552	$ -
Equity securities	443,305	506,233	(62,928)
Fixed income securities	233,643	261,601	(27,958)
Total	$ 688,500	$ 779,386	$ (90,886)

Investment earnings for the year ended December 31, 2022 are as follows:

Interest and dividends	$ 16,272
Realized gain (loss)	18,529
Change in unrealized gain	(99,827)
Total investment income	(65,026)
Less: investment expenses	(3,704)
Total investment income	$ (68,730)

Note 8 - Fixed Assets

Fixed assets consisted of the following as of December 31, 2023 and 2022:

	2023	*2022*
Land	$ 69,054	$ 69,054
Buildings and improvements	1,928,660	1,918,910
Furniture and equipment	198,392	147,070
	2,196,106	2,135,034
Less accumulated depreciation	(476,912)	(394,838)
	$ 1,719,194	$ 1,740,196

Depreciation expense for the years ended December 31, 2023 and 2022 was $82,074 and $71,810, respectively.

Note 9 - Net Assets with Donor Restrictions

Net assets with donor restrictions amounted to $595,238 and $226,415 as of December 31, 2023 and 2022, 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:

	2023	**2022**
Cash and cash equivalents	$ 1,251,944	$ 1,534,254
Investments	1,157,337	688,500
Accounts receivable	138,301	35,000
Pledges receivable	929,918	718,446
Prepaid expenses	27,269	383
Total financial assets	3,504,769	2,976,583
Less amounts not available to be used within one		
Due to donor-imposed restrictions:		
Pledges receivable restricted by time	(595,238)	(226,415)
Total financial assets available to meet cash needs for general expenditures within one year	$ 2,909,531	$ 2,750,168

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 $201,365 and $16,392 during the years ended December 31, 2023 and 2022, respectively. These amounts are included in contributed goods and services revenue, and in-kind contributions expense on the accompanying statements of activities and statements of functional expenses, respectively.

Note 12 - Fiscal Sponsorship

In March 2019 the Organization entered into an agency relationship with MDI-Africa Initiative "MDI", a Kenya-based small not-for-profit organization. Under the terms of the agency agreement, the Organization provides fiscal sponsorship to MDI under Flying Kites' tax-exempt status, which permits MDI 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 MDI, to support its programs and activities.

During the year ended December 31, 2023 the Organization received agency contributions on behalf of the fiscally sponsored organization totaling $4,810, all of which were disbursed to MDI during the year. Fiscal sponsorship contributions are included in fiscal sponsorship income on the accompanying statement of activities for the year ended December 31, 2023. No fiscal agency contribution was received by the Organization in 2022.

Note 13 - Leases

In October 2020 the Organization entered into a one-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 were payable in monthly installment due at the beginning of each month. Monthly rents were $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 were payable in monthly installments of $1,250, which included 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 was due at the beginning of each month.

In January 2023 the Organization entered into a 12-month lease agreement for new office space located in Boston, Massachusetts. The lease term was from January 1, 2023 through December, 2023. Base rents under the lease were payable in monthly installments of $2,471, due at the beginning of each month.

Rent expense for the years ended December 31, 2023 and 2022 was $30,719 and $23,035, respectively.

Note 14 - Related Party Transactions

The Organization's Executive Director sits on the Organization's Board of Directors as a non-voting member, and was paid wages of $120,000 and $82,500 in 2023 and 2022, respectively.

Note 15 – Reclassifications

Certain amounts in the 2022 financial statements have been reclassified to conform to the current year's presentation.

Note 16 - Subsequent Events

Subsequent events have been evaluated through September 30, 2024, which is the date the financial statements were available to be issued.