



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
www.raecpas.com

FLYING KITES, INC.

Financial Statements

Year Ended December 31, 2019

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, 2019

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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, 2019, 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, 2019, 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 2018 financial statements, and our report dated May 30, 2019, 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, 2018, 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 15, 2020

FLYING KITES, INC.
Statement of Financial Position
As of December 31, 2019

(with comparative totals as of December 31, 2018)

	<u>2019</u>	<u>2018</u>
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 1,086,806	\$ 408,129
Restricted cash - Capital Campaign	-	207,840
Cash held for others	61,353	123,023
Accounts receivable	75,883	7,822
Pledges receivable, current	<u>208,249</u>	<u>462,296</u>
Total current assets	1,432,291	1,209,110
Property and equipment, net	1,826,751	1,756,149
Security deposit	2,250	2,250
Pledges receivable (net of discount of \$229 and \$1,097 as of December 31, 2019 and 2018, respectively)	<u>14,771</u>	<u>28,903</u>
Total assets	<u>\$ 3,276,063</u>	<u>\$ 2,996,412</u>
<i>Liabilities and Net Assets</i>		
Current liabilities:		
Accounts payable and accrued expenses	<u>\$ 4,057</u>	<u>\$ 87,609</u>
Total liabilities	<u>4,057</u>	<u>87,609</u>
Net assets:		
Without donor restrictions	3,195,882	2,549,037
With donor restrictions	<u>76,124</u>	<u>359,766</u>
Total net assets	<u>3,272,006</u>	<u>2,908,803</u>
Total liabilities and net assets	<u>\$ 3,276,063</u>	<u>\$ 2,996,412</u>

FLYING KITES, INC.

Statement of Activities

For the Year Ended December 31, 2019

(with summarized comparative totals for the year ended December 31, 2018)

	2019			2018
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>	<i>Total</i>
Support and revenue:				
Individual contributions	\$ 595,766	\$ -	\$ 595,766	\$ 786,165
Grant income	409,753	-	409,753	-
Programs income:				
Ambassador Program	-	-	-	500
Adventure Challenge Program	149,849	-	149,849	274,445
Student Sponsorship Program	248,430	-	248,430	212,291
Capital campaign	-	120	120	265,876
Fiscal sponsorship income	-	194,040	194,040	193,142
Events income	367,148	-	367,148	309,873
Contributed goods and services	65,589	-	65,589	69,420
Other revenue	1,530	-	1,530	-
Net assets released from donor restrictions	477,802	(477,802)	-	-
	<u>2,315,867</u>	<u>(283,642)</u>	<u>2,032,225</u>	<u>2,111,712</u>
Total support and revenue				
Expenses:				
Program services	1,408,728	-	1,408,728	1,285,021
Fundraising	185,493	-	185,493	184,098
General and administration	74,801	-	74,801	80,479
	<u>1,669,022</u>	<u>-</u>	<u>1,669,022</u>	<u>1,549,598</u>
Total expenses				
Change in net assets	646,845	(283,642)	363,203	562,114
Net assets at beginning of year	<u>2,549,037</u>	<u>359,766</u>	<u>2,908,803</u>	<u>2,346,689</u>
Net assets at end of year	<u>\$ 3,195,882</u>	<u>\$ 76,124</u>	<u>\$ 3,272,006</u>	<u>\$ 2,908,803</u>

FLYING KITES, INC.
Statement of Cash Flows
For the Year Ended December 31, 2019

(with comparative totals for the year ended December 31, 2018)

	2019	2018
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ 363,203	\$ 562,114
Adjustments to reconcile change in net assets to net cash provided by activities:		
Depreciation expense	63,342	47,542
Net present value discount	(868)	(1,583)
Change in:		
Accounts receivable	(68,061)	(7,822)
Pledges receivable	269,047	(77,296)
Security deposit	-	3,314
Accounts payable and accrued expenses	(83,552)	66,624
Net cash provided by operations	543,111	592,893
<i>Cash flows from investing activities:</i>		
Construction costs	(133,944)	(479,444)
Purchases of furniture and equipment	-	(53,796)
Net cash used in investing activities	(133,944)	(533,240)
Net change in cash and cash equivalents	409,167	59,653
Cash and cash equivalents, beginning of year	738,992	679,339
Cash and cash equivalents, end of year	\$ 1,148,159	\$ 738,992

FLYING KITES, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2019

(with summarized comparative totals for the year ended December 31, 2018)

	<u>Program</u> <u>Expenses</u>	<u>Fundraising</u> <u>Expenses</u>	<u>General and</u> <u>Administrative</u> <u>Expenses</u>	<u>2019 Total</u>	<u>2018 Total</u>
Salaries	\$ 259,972	\$ 30,585	\$ 15,292	\$ 305,849	\$ 300,397
Payroll taxes	19,888	2,340	1,170	23,398	22,981
Fringe benefits	22,468	2,643	1,322	26,433	16,623
Flying Kites Teacher Training Center and Academy expenses	636,398	-	-	636,398	583,273
Flying Kites School Network expenses	272,742	-	-	272,742	249,974
Creative content	3,222	3,222	-	6,444	-
Rents	23,842	2,805	1,403	28,050	30,125
Professional service fees	44,763	-	14,921	59,684	55,335
Merchant fees	1,899	17,094	-	18,993	16,041
Software expenses	1,352	4,056	-	5,408	16,452
Office supplies	-	3,099	3,098	6,197	6,658
Insurance expense	1,560	184	92	1,836	1,529
Miscellaneous expenses	-	-	3,806	3,806	578
Adventure Challenges Program expense	19,570	-	-	19,570	43,981
Postage and delivery	2,409	2,408	535	5,352	1,539
Telephone and internet	325	324	432	1,081	769
Advertising	-	-	-	-	2,827
Website expenses	-	-	-	-	2,932
Fundraising and events expenses	-	97,680	-	97,680	68,434
Travel and meetings	1,058	19,053	1,059	21,170	12,210
Depreciation	31,671	-	31,671	63,342	47,542
In-kind contributions	65,589	-	-	65,589	69,420
 Total expenses	 <u>\$ 1,408,728</u>	 <u>\$ 185,493</u>	 <u>\$ 74,801</u>	 <u>\$ 1,669,022</u>	 <u>\$ 1,549,620</u>

FLYING KITES, INC.

Notes to Financial Statements

For the Year Ended December 31, 2019

(with summarized comparative totals for the year ended December 31, 2018)

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:

The Flying Kites Teacher Training Center and Academy (TTC and FKA) is a hub for educational innovation and professional development. Here, the Organization develops and pilots the curriculum and programs that form the basis of its partnerships with public primary schools in the broader community, providing opportunities for workshop-based instruction in its training center, and experiential learning alongside the educators and students in its academy.

In collaboration with Kenya’s Ministry of Education, Flying Kites has assembled a cohort of high- potential, resource-poor public primary schools in its district to form **the Flying Kites School Network (FKSN)**. Through the FKSN, the interventions that the Organization designs, refines, and implements at its Teacher Training Center and Academy are scaling beyond the gates of its campus to its partner schools, supporting them as they work to ignite learning and improve student outcomes. In 2019, the FKSN supported five public primary schools in the South Kinangop District, serving nearly 3,400 students.

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 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.

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.

FLYING KITES, INC.

Notes to Financial Statements

For the Year Ended December 31, 2019

(with summarized comparative totals for the year ended December 31, 2018)

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Presentation (Continued)

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 \$76,124 and \$359,766 as of December 31, 2019 and 2018, respectively (Note 9).

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.

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

Advertising

Advertising costs are expensed as incurred. No advertising expense was incurred by the Organization for the year ended December 31, 2019. Advertising expense incurred by the Organization for the year ended December 31, 2018 was \$2,827.

FLYING KITES, INC.

Notes to Financial Statements

For the Year Ended December 31, 2019

(with summarized comparative totals for the year ended December 31, 2018)

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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.

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

FLYING KITES, INC.

Notes to Financial Statements

For the Year Ended December 31, 2019

(with summarized comparative totals for the year ended December 31, 2018)

Note 2 - Summary of Significant Accounting Policies (Continued)

Contributed Goods and Services (Continued)

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.

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.

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 5 provides detailed information on the status and net present value of pledges receivable as of December 31, 2019 and 2018. All pledges are expected to be collected in full; therefore, no allowance for bad debt was recorded as of December 31, 2019 and 2018.

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.

FLYING KITES, INC.

Notes to Financial Statements

For the Year Ended December 31, 2019

(with summarized comparative totals for the year ended December 31, 2018)

Note 2 - Summary of Significant Accounting Policies (Continued)

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

On January 1, 2019, the Organization adopted FASB ASU 2018-08, *Clarifying the Scope of Accounting Guidance for Contributions Received and Contributions Made*, which requires that an entity evaluate whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional. The Organization adopted ASU 2018-08 using a full retrospective application to agreements not completed as of January 1, 2018. The implementation of ASU 2018-08 did not have a material effect on the Organization's financial positions, results of operations or cash flows. There was no cumulative effect of a change in accounting principle recorded related to the adoption of ASU 2018-08 on January 1, 2019.

On January 1, 2019, the Organization also adopted FASB 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. The implementation of the ASU did not have a material effect on the Organization's financial statements.

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.

FLYING KITES, INC.

Notes to Financial Statements

For the Year Ended December 31, 2019

(with summarized comparative totals for the year ended December 31, 2018)

Note 4 - Fixed Assets

Fixed assets consisted of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 69,054	\$ 69,054
Buildings and improvements	1,802,720	1,724,210
Construction-in-progress	55,434	-
Furniture and equipment	<u>82,705</u>	<u>82,705</u>
	2,009,913	1,875,969
Less accumulated depreciation	<u>(183,162)</u>	<u>(119,820)</u>
	<u>\$ 1,826,751</u>	<u>\$ 1,756,149</u>

In October 2017 the Organization started the construction of an Academic Building and Teacher Training Institute facility on the Flying Kites Academy (“FKA”) campus. The facility was completed in September 2018 for a total cost of \$637,708, with \$479,444 of those costs incurred during 2018.

In August 2019 the Organization started the construction of a new preschool building facility for the FKA campus. Construction costs incurred for the new facility during 2019 amounted to \$55,434. The expected total cost of the construction project to completion is estimated at approximately \$90,000.

Depreciation expense for the years ended December 31, 2019 and 2018 was \$63,342 and \$47,542, respectively.

Note 5 - 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
In one year or less	\$ 208,249	\$ 462,296
Between one year and five years	<u>15,000</u>	<u>30,000</u>
	223,249	492,296
Less:		
Net present value discount, at 2%	<u>(229)</u>	<u>(1,097)</u>
	<u>\$ 223,020</u>	<u>\$ 491,199</u>

Note 6 - Contributed goods and services

The Organization received donated goods and services valued at \$65,589 and \$69,420 during for the years ended December 31, 2019 and 2018, 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, 2019

(with summarized comparative totals for the year ended December 31, 2018)

Note 7 - 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 8 - 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	\$	1,148,159
Accounts receivable		75,883
Pledges receivable		<u>223,020</u>
Total financial assets		1,447,062
Less amounts not available to be used within one year		
Due to:		
Donor-Imposed restrictions:		
Funds held with purpose restrictions		(61,353)
Pledges receivable restricted by time		<u>(14,771)</u>
Total financial assets available to meet cash needs for general expenditures within one year	\$	<u><u>1,370,938</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 9 – Net Assets with Donor Restrictions

Net assets with donor restrictions amounted to \$76,124 and \$359,766 as of December 31, 2019 and 2018, 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>2019</u>	<u>2018</u>
Capital campaign funds	\$ -	\$ 207,840
Pledges receivable	14,771	28,903
Fiscal agency funds	<u>61,353</u>	<u>123,023</u>
	<u>\$ 76,124</u>	<u>\$ 359,766</u>

FLYING KITES, INC.

Notes to Financial Statements

For the Year Ended December 31, 2019

(with summarized comparative totals for the year ended December 31, 2018)

Note 10 – 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 2019 and 2018.

Note 11 – 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. As of March 2019, the Organization also acts as a fiscal sponsor for the MDI-Africa Initiative, a Kenya-based small not-for-profit organization.

During the years ended December 31, 2019 and 2018 the Organization received agency contributions on behalf of the fiscally sponsored organizations totaling \$194,040 and \$193,142, respectively, of which \$61,353 and \$123,023 remained undisbursed as of December 31, 2019 and 2018, respectively. 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 2019 and 2018 are included in fiscal sponsorship income on the accompanying statements of activities.

Note 12 - Leases

In February 2018 the Organization entered into a 1-year lease agreement for new office space located in Wellesley, Massachusetts. The lease rent 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 are \$2,400 per month.

Future minimum lease commitments are as follows:

Year ending December 31,	
2020	\$ 12,000

Rent expense for the years ended December 31, 2019 and 2018 was \$28,050 and \$30,125, respectively.

Note 13 – New Accounting Pronouncement

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, 2020.

FLYING KITES, INC.

Notes to Financial Statements

For the Year Ended December 31, 2019

(with summarized comparative totals for the year ended December 31, 2018)

Note 14 – Schedule of Cash, Cash Equivalent and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the totals of the same such amounts in the statements of cash flows.

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,086,806	\$ 408,129
Restricted cash:		
Cash held for others	61,353	123,023
Capital campaign funds	<u>-</u>	<u>207,840</u>
	<u>\$ 1,148,159</u>	<u>\$ 738,992</u>

Note 15 – Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform to the current year's presentation.

Note 16 - Subsequent Events

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The extent of COVID-19's effect on the Organization's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult considering the rapidly evolving landscape. As the pandemic continues to evolve into a worldwide health crisis, the disease could have a material adverse effect on the Organization's activities, results of operations, financial condition, and cash flow.

Subsequent events have been evaluated through September 15, 2020, which is the date the financial statements were available to be issued.