



# RAE & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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Lowell, MA 01851

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## **FLYING KITES, INC.**

### ***Financial Statements***

***Year Ended December 31, 2020***

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

**FLYING KITES, INC.**

*Financial Statements*

*Year Ended December 31, 2020*

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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, 2020, 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, 2020, 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 2019 financial statements, and our report dated September 15, 2020, 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, 2019, 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  
November 8, 2021

**FLYING KITES, INC.**  
**Statement of Financial Position**  
**As of December 31, 2020**

(with comparative totals as of December 31, 2019)

	<b>2020</b>	<b>2019</b>
<i>Assets</i>		
Current assets:		
Cash and cash equivalents	\$ 1,384,049	\$ 878,966
Restricted cash - Capital Campaign	-	207,840
Cash held for others	-	61,353
Accounts receivable	69,946	75,883
Pledges receivable, current	283,215	208,249
Prepaid expenses	193	-
Total current assets	1,737,403	1,432,291
Property and equipment, net	1,835,954	1,826,751
Security deposit	-	2,250
Pledges receivable (net of discount of \$3,593 and \$229 as of December 31, 2020 and 2019, respectively)	123,664	14,771
Total assets	\$ 3,697,021	\$ 3,276,063
<i>Liabilities and Net Assets</i>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 6,000	\$ 4,057
Total liabilities	6,000	4,057
Net assets:		
Without donor restrictions	3,511,358	3,195,882
With donor restrictions	179,663	76,124
Total net assets	3,691,021	3,272,006
Total liabilities and net assets	\$ 3,697,021	\$ 3,276,063

**FLYING KITES, INC.**

***Statement of Activities***

***For the Year Ended December 31, 2020***

*(with summarized comparative totals for the year ended December 31, 2019)*

	2020			2019
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
Support and revenue:				
Individual contributions	\$ 712,666	\$ 164,663	\$ 877,329	\$ 595,766
Grant income	717,653	-	717,653	409,753
Programs income:				
Adventure Challenge Program	13,463	-	13,463	149,849
Student Sponsorship Program	172,996	-	172,996	248,430
Capital campaign	-	-	-	120
Fiscal sponsorship income	-	158,275	158,275	194,040
Events income	3,483	-	3,483	367,148
Contributed goods and services	97,328	-	97,328	65,589
Other revenue	-	-	-	1,530
Net assets released from donor restrictions	219,399	(219,399)	-	-
	<u>1,936,988</u>	<u>103,539</u>	<u>2,040,527</u>	<u>2,032,225</u>
Total support and revenue				
Expenses:				
Program services	1,432,340	-	1,432,340	1,408,728
Fundraising	93,652	-	93,652	185,493
General and administration	95,520	-	95,520	74,801
	<u>1,621,512</u>	<u>-</u>	<u>1,621,512</u>	<u>1,669,022</u>
Total expenses				
Change in net assets	315,476	103,539	419,015	363,203
Net assets at beginning of year	<u>3,195,882</u>	<u>76,124</u>	<u>3,272,006</u>	<u>2,908,803</u>
Net assets at end of year	<u>\$ 3,511,358</u>	<u>\$ 179,663</u>	<u>\$ 3,691,021</u>	<u>\$ 3,272,006</u>

**FLYING KITES, INC.**

***Statement of Cash Flows***

***For the Year Ended December 31, 2020***

*(with comparative totals for the year ended December 31, 2019)*

	<u>2020</u>	<u>2019</u>
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ 419,015	\$ 363,203
Adjustments to reconcile change in net assets to net cash provided by activities:		
Depreciation expense	62,948	63,342
Net present value discount	3,364	(868)
Change in:		
Accounts receivable	5,937	(68,061)
Pledges receivable	(187,223)	269,047
Prepaid expenses	(193)	-
Security deposit	2,250	-
Accounts payable and accrued expenses	<u>1,943</u>	<u>(83,552)</u>
Net cash provided by operations	<u>308,041</u>	<u>543,111</u>
<i>Cash flows from investing activities:</i>		
Construction costs	(40,700)	(133,944)
Purchases of furniture and equipment	<u>(31,451)</u>	<u>-</u>
Net cash used in investing activities	<u>(72,151)</u>	<u>(133,944)</u>
Net change in cash and cash equivalents	235,890	409,167
Cash and cash equivalents, beginning of year	<u>1,148,159</u>	<u>738,992</u>
Cash and cash equivalents, end of year	<u>\$ 1,384,049</u>	<u>\$ 1,148,159</u>

**FLYING KITES, INC.**

*Statement of Functional Expenses*

*For the Year Ended December 31, 2020*

*(with summarized comparative totals for the year ended December 31, 2019)*

	<u>Program</u> <u>Expenses</u>	<u>Fundraising</u> <u>Expenses</u>	<u>General and</u> <u>Administrative</u> <u>Expenses</u>	<u>2020 Total</u>	<u>2019 Total</u>
Salaries	\$ 228,213	\$ 42,790	\$ 14,263	\$ 285,266	\$ 305,849
Payroll taxes	17,459	3,273	1,091	21,823	23,398
Fringe benefits	5,958	-	23,830	29,788	26,433
Flying Kites Teacher Training Center and FK School Network expenses	969,823	-	-	969,823	909,140
Creative content	2,407	2,407	-	4,814	6,444
Rents	13,899	1,738	1,738	17,375	28,050
Professional service fees	58,061	-	19,354	77,415	59,684
Merchant fees	1,817	16,351	-	18,168	18,993
Software expenses	3,531	10,593	-	14,124	5,408
Office supplies	-	1,965	1,964	3,929	6,197
Insurance expense	264	-	1,056	1,320	1,836
Miscellaneous expenses	-	-	-	-	3,806
Adventure Challenges Program expense	-	-	-	-	19,570
Postage and delivery	1,955	1,954	434	4,343	5,352
Telephone and internet	151	151	201	503	1,081
Fundraising and events expenses	-	10,246	-	10,246	97,680
Travel and meetings	-	2,184	115	2,299	21,170
Depreciation	31,474	-	31,474	62,948	63,342
In-kind contributions	97,328	-	-	97,328	65,589
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenses	\$ <u>1,432,340</u>	\$ <u>93,652</u>	\$ <u>95,520</u>	\$ <u>1,621,512</u>	\$ <u>1,669,022</u>



# FLYING KITES, INC.

## *Notes to Financial Statements*

### *For the Year Ended December 31, 2020*

*(with summarized comparative totals for the year ended December 31, 2019)*

#### **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.

# FLYING KITES, INC.

## *Notes to Financial Statements*

### *For the Year Ended December 31, 2020*

*(with summarized comparative totals for the year ended December 31, 2019)*

#### **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 \$179,663 and \$76,124 as of December 31, 2020 and 2019, 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.

# FLYING KITES, INC.

## *Notes to Financial Statements*

### *For the Year Ended December 31, 2020*

*(with summarized comparative totals for the year ended December 31, 2019)*

#### **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

##### ***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*.

##### ***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.

# FLYING KITES, INC.

## *Notes to Financial Statements*

### *For the Year Ended December 31, 2020*

*(with summarized comparative totals for the year ended December 31, 2019)*

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

##### ***Revenue Recognition (Continued)***

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. 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.

# FLYING KITES, INC.

## *Notes to Financial Statements*

### *For the Year Ended December 31, 2020*

*(with summarized comparative totals for the year ended December 31, 2019)*

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

##### ***Revenue Recognition (Continued)***

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 \$13,463 and \$149,849 for the years ended December 31, 2020 and December 31, 2019, 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.

##### ***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.

##### ***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, 2020 and 2019. All pledges are expected to be collected in full; therefore, no allowance for bad debt was recorded as of December 31, 2020 and 2019.

##### ***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.

##### ***Advertising***

Advertising costs are expensed as incurred. No advertising expense was incurred by the Organization for the years ended December 31, 2020 and 2019.

# FLYING KITES, INC.

## *Notes to Financial Statements*

### *For the Year Ended December 31, 2020*

*(with summarized comparative totals for the year ended December 31, 2019)*

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

##### ***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**

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 June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958)*. The amendment clarifies guidance about whether a transfer of assets is a contribution or an exchange transaction. Under the new standard, organizations are required to determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome, and whether there is either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The changes became effective January 1, 2019 and had no material impact on the Organization's financial statements.

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.

# FLYING KITES, INC.

## Notes to Financial Statements

### For the Year Ended December 31, 2020

(with summarized comparative totals for the year ended December 31, 2019)

#### Note 3 – Adoption of Accounting Pronouncement (Continued)

The Organization adopted the new standard effective January 1, 2020, the first day of the Organization’s fiscal year. 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 69,054	\$ 69,054
Buildings and improvements	1,898,854	1,802,720
Construction-in-progress	-	55,434
Furniture and equipment	<u>114,156</u>	<u>82,705</u>
	2,082,064	2,009,913
Less accumulated depreciation	<u>(246,110)</u>	<u>(183,162)</u>
	<u>\$ 1,835,954</u>	<u>\$ 1,826,751</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.

In August 2019 the Organization started the construction of a new preschool building facility for the FKA campus, which was completed in 2020. Construction costs incurred for the new facility for the years ended December 31, 2020 and 2019 amounted to \$40,700 and \$55,434, respectively, for a total construction cost of \$96,134.

Depreciation expense for the years ended December 31, 2020 and 2019 was \$62,948 and \$63,342, 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.

# FLYING KITES, INC.

## Notes to Financial Statements

### For the Year Ended December 31, 2020

(with summarized comparative totals for the year ended December 31, 2019)

#### Note 6 - 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
In one year or less	\$ 283,215	\$ 208,249
Between one year and five years	<u>127,257</u>	<u>15,000</u>
	410,472	223,249
Less:		
Net present value discount, at 2%	<u>(3,593)</u>	<u>(229)</u>
	<u>\$ 406,879</u>	<u>\$ 223,020</u>

#### Note 7 - 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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,384,049	\$ 1,148,159
Accounts receivable	69,946	75,883
Pledges receivable	406,879	223,020
Prepaid expenses	<u>193</u>	<u>-</u>
Total financial assets	1,861,067	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>(123,664)</u>	<u>(14,771)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,737,403</u>	<u>\$ 1,370,938</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.



# FLYING KITES, INC.

## *Notes to Financial Statements*

### *For the Year Ended December 31, 2020*

*(with summarized comparative totals for the year ended December 31, 2019)*

#### **Note 8 - Contributed goods and services**

The Organization received donated goods and services valued at \$97,328 and \$65,589 during for the years ended December 31, 2020 and 2019, 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 9 – Net Assets with Donor Restrictions**

Net assets with donor restrictions amounted to \$179,663 and \$76,124 as of December 31, 2020 and 2019, 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>2020</u>	<u>2019</u>
Pledges receivable	\$ 179,663	\$ 14,771
Fiscal agency funds	-	61,353
Total financial assets	<u>\$ 179,663</u>	<u>\$ 76,124</u>

#### **Note 10 – 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, 2020 and 2019 the Organization received agency contributions on behalf of the fiscally sponsored organizations totaling \$158,276 and \$194,040, respectively, of which none and \$61,353 were undisbursed as of December 31, 2020 and 2019, respectively. Undisbursed agency funds at December 31, 2019 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 2020 and 2019 are included in fiscal sponsorship income on the accompanying statements of activities.

#### **Note 11 - 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 were \$2,400 per month. The lease ended on May 31, 2020 and was not renewed or extended by the organization.

Rent expense for the years ended December 31, 2020 and 2019 was \$17,375 and \$28,050, respectively.

# FLYING KITES, INC.

## *Notes to Financial Statements*

### *For the Year Ended December 31, 2020*

*(with summarized comparative totals for the year ended December 31, 2019)*

#### **Note 12 – 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 \$88,383 and \$47,216, respectively, in 2020, and wages of \$91,667 and \$48,000, respectively, in 2019.

#### **Note 13 – 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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,384,049	\$ 1,086,806
Restricted cash		
Cash held for others	<u>-</u>	<u>61,353</u>
	<u>\$ 1,384,049</u>	<u>\$ 1,148,159</u>

#### **Note 14 – Reclassifications**

Certain amounts in the 2019 financial statements have been reclassified to conform to the current year’s presentation.

#### **Note 15 – 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, 2021. Management has not yet determined the impact of adoption on its financial statements.

#### **Note 16 - 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.

**FLYING KITES, INC.**

*Notes to Financial Statements*

*For the Year Ended December 31, 2020*

*(with summarized comparative totals for the year ended December 31, 2019)*

**Note 17 - Subsequent Events**

Subsequent events have been evaluated through November 8, 2021, which is the date the financial statements were available to be issued.