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CAROLINA FOR KIBERA, INC.

Financial Statements

June 30, 2018 and 2017

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The Board of Directors  
Carolina for Kibera, Inc.  
Chapel Hill, North Carolina

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Carolina for Kibera, Inc. (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Other Matter***

The financial statements of Carolina for Kibera, Inc. for the year ended June 30, 2017, were audited by other auditors whose report, dated January 31, 2018, expressed an unmodified opinion on those statements.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Carolina for Kibera, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Koonce, Wooten + Haywood, LLP*

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January 29, 2019

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STATEMENTS OF FINANCIAL POSITION

CAROLINA FOR KIBERA, INC.  
 Statements of Financial Position  
 June 30, 2018 and 2017

ASSETS

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>CURRENT ASSETS:</b>				
Cash	\$ 1,020,803	\$ 258,339	\$	\$ 1,279,142
Promises to Give	37,450			37,450
Accrued Investment Income	8,683			8,683
Prepaid Expenses				
Total Current Assets	1,066,936	258,339		1,325,275
<b>PROPERTY AND EQUIPMENT:</b>				
Furniture and Equipment	5,814			5,814
Software	1,044			1,044
Subtotal	6,858			6,858
Less: Accumulated Depreciation	5,594			5,594
Net Property and Equipment	1,264			1,264
<b>OTHER ASSETS:</b>				
Investments	355,869		1,172,000	1,527,869
Promises to Give, Net of Current Portion	15,000			15,000
Total Other Assets	370,869		1,172,000	1,542,869
Total Assets	\$ 1,439,069	\$ 258,339	\$ 1,172,000	\$ 2,869,408

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES:</b>				
Accounts Payable	\$ 1,884	\$	\$	\$ 1,884
Accrued Payroll Taxes and Liabilities	5,989			5,989
Total Current Liabilities	7,873			7,873
<b>NET ASSETS:</b>				
Total Liabilities and Net Assets	1,431,196	258,339	1,172,000	2,861,535
Total Liabilities and Net Assets	\$ 1,439,069	\$ 258,339	\$ 1,172,000	\$ 2,869,408

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

2017			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 914,737	\$ 298,837	\$	\$ 1,213,574
50,500	115,000		165,500
<u>7,965</u>			<u>7,965</u>
<u>973,202</u>	<u>413,837</u>		<u>1,387,039</u>
10,366			10,366
<u>1,044</u>			<u>1,044</u>
11,410			11,410
<u>9,019</u>			<u>9,019</u>
<u>2,391</u>			<u>2,391</u>
256,160		1,172,000	1,428,160
<u>256,160</u>		<u>1,172,000</u>	<u>1,428,160</u>
<u>\$ 1,231,753</u>	<u>\$ 413,837</u>	<u>\$ 1,172,000</u>	<u>\$ 2,817,590</u>
\$ 5,337	\$	\$	\$ 5,337
<u>6,898</u>			<u>6,898</u>
<u>12,235</u>			<u>12,235</u>
<u>1,219,518</u>	<u>413,837</u>	<u>1,172,000</u>	<u>2,805,355</u>
<u>\$ 1,231,753</u>	<u>\$ 413,837</u>	<u>\$ 1,172,000</u>	<u>\$ 2,817,590</u>

STATEMENTS OF ACTIVITIES

CAROLINA FOR KIBERA, INC.  
 Statements of Activities  
 For the Years Ended June 30, 2018 and 2017

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>SUPPORT AND REVENUE:</b>				
Contributions	\$ 597,185	\$ 4,589	\$	\$ 601,774
In-Kind Contributions				
Investment Income	11,457			11,457
Investment Return--Payout	71,833			71,833
Unrealized Gain on Endowment	105,733			105,733
Net Assets Released from Restrictions:				
Satisfaction of Program and Timing Restrictions	160,087	(160,087)		
Total Support and Revenue	<u>946,295</u>	<u>(155,498)</u>		<u>790,797</u>
<b>EXPENSES:</b>				
Program Service	<u>554,919</u>			<u>554,919</u>
Support Services:				
Management and General	89,244			89,244
Fundraising	90,454			90,454
Total Support Service	<u>179,698</u>			<u>179,698</u>
Total Expenses	<u>734,617</u>			<u>734,617</u>
CHANGES IN NET ASSETS	211,678	(155,498)		56,180
NET ASSETS--Beginning of Year	<u>1,219,518</u>	<u>413,837</u>	<u>1,172,000</u>	<u>2,805,355</u>
NET ASSETS--End of Year	<u>\$ 1,431,196</u>	<u>\$ 258,339</u>	<u>\$ 1,172,000</u>	<u>\$ 2,861,535</u>

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



2017			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 358,371	\$ 342,500	\$	\$ 700,871
1,795			1,795
2,967			2,967
70,676			70,676
90,593			90,593
<u>289,506</u>	<u>(289,506)</u>		
<u>813,908</u>	<u>52,994</u>		<u>866,902</u>
<u>566,449</u>			<u>566,449</u>
58,269			58,269
<u>63,643</u>			<u>63,643</u>
<u>121,912</u>			<u>121,912</u>
<u>688,361</u>			<u>688,361</u>
125,547	52,994		178,541
<u>1,093,971</u>	<u>360,843</u>	<u>1,172,000</u>	<u>2,626,814</u>
<u>\$ 1,219,518</u>	<u>\$ 413,837</u>	<u>\$ 1,172,000</u>	<u>\$ 2,805,355</u>

STATEMENTS OF FUNCTIONAL EXPENSES

CAROLINA FOR KIBERA, INC.  
 Statements of Functional Expenses  
 For the Years Ended June 30, 2018 and 2017

	2018			
	Program Services	Support Services		Total
		Management and General	Fundraising	
Salaries	\$ 88,552	\$ 43,309	\$ 65,797	\$ 197,658
Payroll Taxes	6,774	3,313	5,033	15,120
Employee Benefits	5,911	3,125	1,487	10,523
Total Salaries and Related Expenses	<u>101,237</u>	<u>49,747</u>	<u>72,317</u>	<u>223,301</u>
Grants to Kenya	406,884			406,884
Travel	20,917	84	1,638	22,639
Contract Services	4,059	3,280	4,589	11,928
Professional Fees		11,840		11,840
Printing	1,663	540	4,499	6,702
Investment Fees		6,024		6,024
Grants to Others	6,000			6,000
Bank Fees		5,116		5,116
Rent, Parking and Utilities	2,469	2,469		4,938
Miscellaneous	2,810	138	1,045	3,993
Postage and Shipping	1,981	991	991	3,963
Insurance	1,674	1,674		3,348
Annual Report	1,200		1,800	3,000
Computer Expenses		2,941		2,941
Telephone and Internet	1,631	466	233	2,330
Supplies		1,646	590	2,236
Fundraising and Events			1,809	1,809
Website	1,095		122	1,217
Depreciation		1,127		1,127
Recruitment and Development	817	97	165	1,079
Food	482	499	96	1,077
License and Registrations		565	460	1,025
Development Fees			100	100
Legal Fees				
Newsletters				
Total Expenses	<u>\$ 554,919</u>	<u>\$ 89,244</u>	<u>\$ 90,454</u>	<u>\$ 734,617</u>

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

2017			
Support Services			
Program Services	Management and General	Fundraising	Total
\$ 52,443	\$ 15,456	\$ 12,273	\$ 80,172
4,012	1,182	939	6,133
<u>56,455</u>	<u>16,638</u>	<u>13,212</u>	<u>86,305</u>
448,715			448,715
12,339		2,221	14,560
350	1,259	37,620	39,229
	12,032		12,032
5,067	1,689	1,689	8,445
	6,072		6,072
32,450			32,450
	4,980		4,980
1,626	1,627		3,253
	284	20	304
1,911	997	1,237	4,145
1,425	1,426		2,851
1,200		1,800	3,000
	1,551		1,551
1,139	344	255	1,738
52	2,946	672	3,670
2,679	2,143	935	5,757
	1,065		1,065
	978		978
241	193	724	1,158
	250	709	959
		1,350	1,350
	1,795		1,795
<u>800</u>	<u>1,199</u>	<u>1,999</u>	<u>1,999</u>
<u>\$ 566,449</u>	<u>\$ 58,269</u>	<u>\$ 63,643</u>	<u>\$ 688,361</u>

CAROLINA FOR KIBERA, INC.  
 Statements of Cash Flows  
 For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in Net Assets	\$ 56,180	\$ 178,541
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,127	1,065
Unrealized Holding Gain on Endowment	(105,733)	(90,593)
Changes in Assets and Liabilities:		
Accrued Investment Income	(8,683)	
Promises to Give	113,050	(165,500)
Donated Assets for Transfer		27,450
Prepaid Expenses	7,965	(465)
Accounts Payable	(3,453)	(14,223)
Accrued Payroll Taxes and Liabilities	(909)	5,711
Net Cash Provided (Used) by Operating Activities	<u>59,544</u>	<u>(58,014)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payout from Endowment	71,833	70,676
Reinvested Earnings on Endowment	(65,809)	(64,604)
Purchases of Property and Equipment		(825)
Net Cash Provided by Investing Activities	<u>6,024</u>	<u>5,247</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	65,568	(52,767)
<b>CASH--Beginning of Year</b>	<u>1,213,574</u>	<u>1,266,341</u>
<b>CASH--End of Year</b>	<u>\$ 1,279,142</u>	<u>\$ 1,213,574</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
In-Kind Contributions	\$	\$ 1,795

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

CAROLINA FOR KIBERA, INC.  
Notes to Financial Statements  
June 30, 2018 and 2017

1. Organization and Summary of Significant Accounting Policies

A. Organization and Purpose:

Carolina for Kibera, Inc. (the Organization) is a North Carolina non-profit organization incorporated on April 23, 2001. The Organization's purpose is to serve as a granting organization to CFK-Kenya, a non-governmental organization in Kenya. CFK-Kenya promotes youth leadership and ethnic and gender cooperation in Kibera, an informal settlement area in Nairobi, through youth sports, young women's empowerment, and community development. The Organization also works to improve basic healthcare, sanitation, and education in Kibera. The Organization is supported through public contributions.

B. Basis of Presentation:

The accompanying financial statements have been, in all material respects, prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Net assets and support, revenue, expenses, gains, and losses are classified based on the existence or absence of externally-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets--Net assets that are not subject to externally-imposed restrictions. Certain net assets classified as unrestricted may, from time to time, be designated for specific purposes or uses under various internal operating budgets or for board designated purposes.

Temporarily Restricted Net Assets--Net assets subject to externally-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets--Net assets subject to externally-imposed restrictions that they be maintained permanently by the Organization.

C. Accounting Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates and assumptions are used for, but not limited to, the fair value of investments and in-kind contributions, depreciable lives of property and equipment, and functional allocation of expenses.

D. Promises to Give:

The Organization recognizes as revenues contributions received and made, including unconditional, legally enforceable promises to give, in the period in which the Organization is notified that the donor has made a promise to give. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designed for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases that net asset class. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Unconditional promises to give expected to be collected within one year or in future years are recorded at net realizable value. Unconditional promises are also recorded net of an allowance for uncollectible promises. The allowance is based on management's analysis of specific promises to give and current economic conditions.

CAROLINA FOR KIBERA, INC.  
Notes to Financial Statements  
June 30, 2018 and 2017

1. Organization and Summary of Significant Accounting Policies (Continued)

Conditional promises to give are recognized when the conditions on which they depend are substantially met.

E. Investments:

Investments are recorded at fair value. Fair value is based on quoted market prices when available. Unrealized gains and losses are included in the changes in net assets.

The fair value of long-term investments are based on quoted market prices for those or similar investments. Investments are held and managed by the University of North Carolina at Chapel Hill.

F. Property and Equipment:

Property and equipment is recorded at cost if purchased or at fair value if donated at the date of donation. A capitalization threshold of \$500 is utilized. Expenditures for repairs and maintenance are charged against operations. Depreciation is provided using the straight-line method over estimated useful lives ranging from five to ten years. Depreciation expense for the years ended June 30, 2018 and 2017 totaled \$1,127 and \$1,065, respectively.

G. Contributions:

Contributions of cash and other assets, as well as grants, are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence or nature of any externally-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is presented as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions.

H. In-Kind Contributions:

The Organization records in-kind contributions of services, materials, and other at their estimated fair values at the date of the contribution.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would otherwise be purchased by the Organization.

The Organization has received approximately 1,100 and 400 volunteer hours for the years ending June 30, 2018 and 2017, respectively. No amounts have been reflected in the financial statements for volunteer hours since these services do not meet the requirements for recognition in the financial statements. In addition, the Organization's officers and board of directors serve without compensation.

I. Functional Allocation of Expenses:

The cost of providing the various program and support services of the Organization has been summarized on a functional basis in the statements of functional expenses. Certain costs have been allocated among the program and support services benefited on the basis of time records and estimates made by management. Support services include expenses which are not directly identifiable with any specific program but provide support for the Organization's overall operations.

CAROLINA FOR KIBERA, INC.  
Notes to Financial Statements  
June 30, 2018 and 2017

1. Organization and Summary of Significant Accounting Policies (Concluded)

J. Income Tax Status:

The Organization is exempt from federal and state income taxes under Section 501(a) of the Internal Revenue Code and is classified under Section 501(c)(3) as a public charity. In addition, the Organization qualifies for deductible contributions under Section 170(b)(1)(A)(vi) of the Internal Revenue Code. Further, the Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a)(1) of the Internal Revenue Code. Accordingly, the accompanying financial statements do not include a provision for income taxes.

The Organization files Form 990 information returns in the U.S. Federal jurisdiction. These returns are subject to examination by the Internal Revenue Service for a period of three years after the respective filing deadlines.

2. Promises to Give

The Organization carries its promises to give at cost. On an annual basis, the Organization evaluates its promises to give and establishes an allowance for uncollectible promises to give based on current economic conditions. Management believes the pledges receivable will be fully collected. Therefore, there is no allowance on the pledges receivable balance.

Promises to give consist of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Promises to Give	\$ 52,450	\$ 165,500
Less: Current Portion	<u>37,450</u>	<u>166,500</u>
Amounts Due After One Year	<u>\$ 15,000</u>	<u>\$ 0</u>

Promises to give are projected to be collected as follows:

	<u>2018</u>	<u>2017</u>
Amounts due in less than one year	\$ 37,450	\$ 165,500
Amounts due in one to five years	<u>15,000</u>	<u>0</u>
	<u>\$ 52,450</u>	<u>\$ 165,500</u>

3. Investments

Investments consist of the following at June 30, 2018 and 2017:

	<u>Historical Cost</u>	<u>Market Value</u>
<u>June 30, 2018:</u>		
UNC Investment Fund	<u>\$ 1,374,311</u>	<u>\$ 1,527,869</u>
<u>June 30, 2017:</u>		
UNC Investment Fund	<u>\$ 1,374,311</u>	<u>\$ 1,428,160</u>



CAROLINA FOR KIBERA, INC.  
Notes to Financial Statements  
June 30, 2018 and 2017

4. Fair Value Measurements

The Organization follows ASC 820, *Fair Value Measurements and Disclosures*, with respect to fair value measurements of its financial assets and financial liabilities. This standard defines fair value as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The standard also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

The hierarchy is broken down into three levels. Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for the Organization's assets measured at fair value in the accompanying financial statements. There have been no changes in the methodologies used at June 30, 2018 and 2017.

- ***Investment with UNC Investment Fund***

Investments held with and managed by the UNC Chapel Hill Foundation are valued at confirmed amounts with the fund and are considered to be Level 2 investments.

The following table sets forth by level, within the fair value hierarchy, the fair value of the Organization's investments measured on a recurring basis at June 30, 2018 and 2017:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 2)</u>
<u>June 30, 2018:</u>		
Investments	\$ <u>1,428,160</u>	\$ <u>1,428,160</u>
<u>June 30, 2017:</u>		
Investments	\$ <u>1,527,869</u>	\$ <u>1,527,869</u>

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

CAROLINA FOR KIBERA, INC.  
Notes to Financial Statements  
June 30, 2018 and 2017

5. Retirement Plan

Effective September 2017, the Organization established a Simple IRA retirement plan for its eligible employees. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. All participant contributions are immediately fully vested. The Organization matches up to 3% of the employees' retirement contributions. Contributions made by the Organization on behalf of its eligible employees were \$4,373 for the year ended June 30, 2018.

6. Related Entities

The Organization is affiliated with the University of North Carolina at Chapel Hill. Under an agreement, the University will provide staffing assistance, office space, investment management services and daily accounting services at no charge. Carolina for Kibera, Inc. must maintain its state nonprofit and tax exempt status, conduct activities that are in line with the mission of the University and follow the University's accounting policies which include having an annual audit performed.

7. Cash and Concentration of Credit Risk

Cash at June 30, 2018 and 2017, includes the following amounts:

	<u>2018</u>	<u>2017</u>
University of North Carolina Investment Pool	\$ 997,902	\$ 878,468
Financial Institutions	<u>281,240</u>	<u>335,106</u>
	<u>\$ 1,279,142</u>	<u>\$ 1,213,574</u>

It is the State Treasurer's policy and practice for deposits not covered by federal depository insurance to be covered by collateral held by the State of North Carolina's agent in the name of the State and for the investments to be held by the State's agent in the State's name. Cash balances in the financial institution are insured up to \$250,000. At June 30, 2018 and 2017, the Organization's uninsured cash balances were \$31,205 and \$85,081, respectively.

8. Restricted Net Assets

Temporarily restricted net assets are restricted by grant agreements or individual donors at the time the donation is made and are available for supporting CFK-Kenya's Binti Pamoja-Empowering Adolescent Girls in Kibera Slum and related capital expenditures, and Community Health in Kibera: Child Survival & Maternal Health programs. Temporarily restricted net assets were \$258,339 and \$413,837 at June 30, 2018 and 2017, respectively.

Permanently restricted net assets consist of donor restricted funds that are to be held indefinitely. The earnings on the donor restricted funds are expendable for general operating purposes in the future. Permanently restricted net assets were \$1,172,000 at June 30, 2018 and 2017.

CAROLINA FOR KIBERA, INC.  
Notes to Financial Statements  
June 30, 2018 and 2017

9. Endowment Fund

*Donor-designated Endowments (UPMIFA state)*

The Organization's endowment funds consist of a pooled endowment account established for specific purposes as restricted by the donor. Its endowment balance includes only donor-restricted endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of Carolina for Kibera, Inc. requires donor-restricted endowment funds to include the original value of gifts donated to the endowment account that are restricted by the donor. They consider earnings on the endowment account to be unrestricted.

The State of North Carolina enacted the North Carolina (NC) Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective March 2009, the provisions of which apply to endowment funds existing on or established after that date. Absent donor stipulations to the contrary, the provisions of this state law do not impose either a permanent or a temporary restriction on the income or capital appreciation derived from the original gifts.

The Organization classifies as permanently restricted net assets (a) the original value of gifts donated to permanent endowments, (b) the original value of subsequent gifts to the permanent endowments, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Any remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as unrestricted net assets.

*Investment Return Objectives, Risk Parameters and Strategies*

Carolina for Kibera, Inc. has elected to invest in The University of North Carolina at Chapel Hill Foundation Investment Fund, Inc. (Chapel Hill Investment Fund or CHIF), a commingled investment vehicle established for The University of North Carolina at Chapel Hill Endowment Fund and other foundations and endowments affiliated with The University of North Carolina at Chapel Hill. By electing to invest in the Chapel Hill Investment Fund, the Organization has agreed to follow the investment policies and procedures as set forth by CHIF. The Chapel Hill Investment Fund invests its assets in the UNC Investment Fund, LLC (UNCIF). UNCIF employs a multi-asset class, multi-strategy investment approach to provide broad diversification, consistent returns and growth in spending and market value. The four primary investment goals and objectives of the UNCIF are:

1. To preserve the real (net of inflation) purchasing power of the UNCIF while providing a predictable, stable, and constant (in real terms) stream of earnings.
2. To earn an annualized real total rate of return of at least 5.5 percent per year, net of all fees and expenses, over the long term.
3. To earn an annual rate of return, net of all fees, that exceeds the Strategic Investment Policy Portfolio.
4. To earn a rate of return that places the Fund among the top third of university endowment funds as ranked by the National Association of College and University Business Officers.

Additionally, the Organization has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets over the long term.

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9. Endowment Fund (Continued)

*Spending Policies*

Each year, the Organization may take a distribution of at least 4% to a maximum distribution of 7% of the Fund's estimated market value at the Fund's fiscal year end. The investment return on the endowment account is treated as unrestricted income and the payout from the endowment account is received at the end of the Fund's fiscal year from the unrestricted portion.

Endowment Net Asset Composition by Fund Type as of June 30, 2018:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 130,953	\$ 1,172,000	\$ 1,302,953
Board-designated endowment funds	<u>224,916</u>	<u>                    </u>	<u>224,916</u>
Endowment net assets, end of period	<u>\$ 355,869</u>	<u>\$ 1,172,000</u>	<u>\$ 1,527,869</u>

Endowment Net Asset Composition by Fund Type as of June 30, 2017:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 45,772	\$ 1,172,000	\$ 1,217,772
Board-designated endowment funds	<u>210,388</u>	<u>                    </u>	<u>210,388</u>
Endowment net assets, end of period	<u>\$ 256,160</u>	<u>\$ 1,172,000</u>	<u>\$ 1,428,160</u>

Changes in endowment net assets for the years ended June 30, 2018 and 2017 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance as of June 30, 2016	\$ 171,639	\$ 1,172,000	\$ 1,343,639
Payout received	70,676		70,676
Payout – transfer out	(70,676)		(70,676)
Investment Fees	(6,072)		(6,072)
Unrealized gain	<u>90,593</u>	<u>                    </u>	<u>90,593</u>
Balance as of June 30, 2017	256,160	1,172,000	1,428,160
Payout received	71,833		71,833
Payout – transfer out	(71,833)		(71,833)
Investment Fees	(6,024)		(6,024)
Unrealized gain	<u>105,733</u>	<u>                    </u>	<u>105,733</u>
Balance as of June 30, 2018	<u>\$ 355,869</u>	<u>\$ 1,172,000</u>	<u>\$ 1,527,869</u>

*Funds with Deficiencies*

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies at June 30, 2018 and 2017.

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10. In-Kind Contributions

During the year ended June 30, 2017, the Organization received an in-kind donation of legal fees valued at \$1,795, which has been recorded as an in-kind contribution and offsetting expense in Legal Fees.

11. Subsequent Events

Subsequent events have been evaluated through January 29, 2019, which is the date the financial statements were available to be issued. The Organization is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

12. Reclassifications

Certain amounts for 2017 have been reclassified to conform to the 2018 presentation. Such reclassifications have no effect on changes in net assets or cash flows as previously reported.