

**NYAKA AIDS ORPHANS PROJECT, INC.**  
**REPORT ON FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

## CONTENTS

	<b><u>Page</u></b>
Independent auditor's report .....	3 - 4
Financial statements	
Statements of financial position.....	5
Statements of activities .....	6 - 7
Statements of functional expenses .....	8 - 9
Statements of cash flows.....	10
Notes to financial statements .....	11 - 22

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Nyaka AIDS Orphans Project, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Nyaka AIDS Orphans Project, Inc. (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 Nyaka AIDS Orphans Project, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Manes Costeiran PC*

May 1, 2019

**NYAKA AIDS ORPHANS PROJECT, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 289,934	\$ 127,511
Contributions receivable	17,064	25,421
Promises to give	12,250	45,833
Investments	3,290	3,474
Inventory	1,364	3,260
Note receivable	-	48,000
Accrued interest receivable	18,495	15,250
Total current assets	342,397	268,749
<b>LONG-TERM ASSETS:</b>		
Property and equipment, net of accumulated depreciation	3,103	2,624
Beneficial interest in assets held by Capital Region Community Foundation	12,883	13,979
Total long-term assets	15,986	16,603
<b>TOTAL ASSETS</b>	<b>\$ 358,383</b>	<b>\$ 285,352</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 4,627	\$ 38,267
Accrued payroll	23,396	14,726
Total current liabilities	28,023	52,993
<b>LONG-TERM DEBT</b>		
Total liabilities	1,000	1,000
<b>NET ASSETS:</b>		
Without donor restrictions:		
Designated	16,173	17,453
Undesignated	115,692	110,006
With donor restrictions	197,495	103,900
Total net assets	329,360	231,359
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 358,383</b>	<b>\$ 285,352</b>

See notes to financial statements.

**NYAKA AIDS ORPHANS PROJECT, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2018**

	Without donor restrictions	With donor restrictions	Total
<b>REVENUE AND SUPPORT:</b>			
Contributions	\$ 1,398,309	\$ 295,806	\$ 1,694,115
Investment return, net	4,042	-	4,042
Other income	48,209	-	48,209
Fundraising revenue	14,945	-	14,945
Net assets released from restrictions	202,211	(202,211)	-
Total revenue and support	1,667,716	93,595	1,761,311
<b>EXPENSES:</b>			
Program	1,274,430	-	1,274,430
Fundraising	186,329	-	186,329
Management and general	202,551	-	202,551
Total expenses	1,663,310	-	1,663,310
<b>CHANGE IN NET ASSETS</b>	4,406	93,595	98,001
<b>NET ASSETS, beginning of year</b>	127,459	103,900	231,359
<b>NET ASSETS, end of year</b>	\$ 131,865	\$ 197,495	\$ 329,360

**NYAKA AIDS ORPHANS PROJECT, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2017**

	Without donor restrictions	With donor restrictions	Total
<b>REVENUE AND SUPPORT:</b>			
Contributions	\$ 800,619	\$ 293,922	1,094,541
Investment return, net	13,256	-	13,256
Other income	14,242	-	14,242
Fundraising revenue	24,793	-	24,793
Net assets released from restrictions	355,483	(355,483)	-
Total revenue and support	1,208,393	(61,561)	1,146,832
<b>EXPENSES:</b>			
Program	1,084,942	-	1,084,942
Fundraising	150,812	-	150,812
Management and general	164,914	-	164,914
Total expenses	1,400,668	-	1,400,668
<b>CHANGE IN NET ASSETS</b>	(192,275)	(61,561)	(253,836)
<b>NET ASSETS, beginning of year</b>	319,734	165,461	485,195
<b>NET ASSETS, end of year</b>	\$ 127,459	\$ 103,900	\$ 231,359

See notes to financial statements.

**NYAKA AIDS ORPHANS PROJECT, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2018**

	Program services	Supporting services		Total expenses
	Nyaka School	Fundraising	Management and general	
Program expenses	\$ 878,263	\$ -	\$ -	\$ 878,263
Salaries	231,339	34,742	116,289	382,370
Payroll taxes	20,898	7,880	5,481	34,259
Insurance	25,593	9,650	6,712	41,955
Travel and meals	34,237	34,236	-	68,473
Professional fees	-	50,697	50,696	101,393
Advertising	7,678	2,895	2,014	12,587
Telephone	1,881	709	493	3,083
Supplies	27,947	10,537	7,331	45,815
Rent	9,150	3,450	2,400	15,000
Depreciation	-	-	1,313	1,313
Fundraising expenses	-	17,415	-	17,415
Miscellaneous expenses	37,444	14,118	9,822	61,384
TOTAL EXPENSES	<u>\$ 1,274,430</u>	<u>\$ 186,329</u>	<u>\$ 202,551</u>	<u>\$ 1,663,310</u>



**NYAKA AIDS ORPHANS PROJECT, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2017**

	Program services	Supporting services		Total expenses
	Nyaka School	Fundraising	Management and general	
Program expenses	\$ 738,372	\$ -	\$ -	\$ 738,372
Salaries	207,578	41,863	129,424	378,865
Payroll taxes	21,437	8,083	5,623	35,143
Insurance	27,396	10,330	7,186	44,912
Travel and meals	32,418	32,418	-	64,836
Professional fees	-	6,040	6,040	12,080
Advertising	982	370	258	1,610
Telephone	1,642	619	431	2,692
Supplies	22,264	8,395	5,839	36,498
Rent	8,998	3,393	2,359	14,750
Depreciation	-	-	1,497	1,497
Fundraising expenses	-	30,306	-	30,306
Miscellaneous expenses	23,855	8,995	6,257	39,107
TOTAL EXPENSES	<u>\$ 1,084,942</u>	<u>\$ 150,812</u>	<u>\$ 164,914</u>	<u>\$ 1,400,668</u>

**NYAKA AIDS ORPHANS PROJECT, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:		
Cash flows from operating activities:		
Change in net assets	\$ 98,001	\$ (253,836)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,313	1,497
Realized loss (gain) on investments	705	(1,310)
Unrealized gain on investments	(536)	(706)
Contributions receivable	8,357	(6,187)
Promises to give	33,583	48,924
Accrued interest receivable	(3,245)	(9,494)
Inventory	1,896	2,593
Accounts payable	(33,640)	15,676
Accrued payroll	8,670	1,773
Total adjustments	17,103	52,766
Net cash provided (used) by operating activities	115,104	(201,070)
Cash flows from investing activities:		
Purchase of property and equipment	(1,792)	(847)
Change in beneficial interest in assets held by community foundation	1,096	(1,474)
Repayment of note receivable	48,000	152,000
Purchase of investments	-	(49)
Sale of investments	15	76,278
Net cash provided by investing activities	47,319	225,908
Cash flows from financing activities:		
Proceeds from long-term debt	-	1,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	162,423	25,838
CASH AND CASH EQUIVALENTS:		
Beginning of year	127,511	101,673
End of year	\$ 289,934	\$ 127,511

See notes to financial statements.

**NYAKA AIDS ORPHANS PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Nyaka AIDS Orphans Project, Inc. (“Organization”) are presented on the accrual basis of accounting.

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor 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 or grantor restrictions. The Organization has designated, from net assets without donor restrictions, net assets for the endowment (See Note 11). Net assets without donor restrictions as of December 31 consist of the following:

	2018	2017
Undesignated	\$ 115,692	\$ 110,006
Designated for endowment	16,173	17,453
Total net assets without donor restrictions	\$ 131,865	\$ 127,459

*Net assets with donor restrictions* - Net assets subject to donor (or grantor) imposed restrictions. Some donor 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 restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Gifts of long lived assets and gifts of cash restricted for the acquisition of long lived assets are recognized as revenue when the assets are placed in service. Donor restrictions are released when a restriction expires, that is, when the stipulation time has elapsed, or when the stipulated purpose has been accomplished (See Note 9).

Promises to give - Unconditional promises to give are recorded at net realizable value when the promise is made. The Organization considers all promises to give at December 31, 2018 and 2017 to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Revenue recognition - Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the period the related services are performed or expenditures are incurred. Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are recognized when the conditions on which they depend have been substantially met.

**NYAKA AIDS ORPHANS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)**

Cash and cash equivalents - For the purpose of the statement of cash flows, cash equivalents and liquid assets maturing no more than 3 months from the date of purchase are considered cash and cash equivalents.

Contributions receivable - The Organization's contributions receivable are comprised primarily of contributions expected to be received from local sources and collected within 1 year. The Organization provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of receivable accounts. Based on management's estimate, no allowance for bad debts was necessary for the years ended December 31, 2018 and 2017.

Inventory - Inventory consists of baskets and handbags and is valued at the lower of cost (first-in, first-out) or net realizable value.

Investments - Investments consist of equity securities and money market funds incidental to the investing process. These investments are recorded at fair value. Gains and losses resulting from the sale of securities are determined on the average cost basis. Net investment return or loss is included in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses.

Property and equipment - Purchased assets having a cost greater than \$500 are capitalized at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Cost of repairs and maintenance are charged to expense when incurred.

Reclassification - Certain prior year numbers have been reclassified to be in conformity with the current year presentation.

**NYAKA AIDS ORPHANS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - NATURE OF ORGANIZATION, RISKS AND UNCERTAINTIES**

The Nyaka AIDS Orphans Project, Inc. is a not-for-profit corporation working on behalf of HIV/AIDS orphans in rural Uganda to end systemic deprivation, poverty and hunger through a holistic approach to community development, education, and healthcare. The Nyaka AIDS Orphans Project, Inc. is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

The Organization is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash, investments, and receivables. The Organization places its cash and cash equivalents with FDIC insured financial institutions. Although such cash may exceed the federally insured limits at certain times during the year, they are in the opinion of management subject to minimal risk. Investments represent diversified holdings of common stock. Concentration of credit risk with respect to receivables is limited by the Organization which has established policies for extending credit based upon factors surrounding the credit risk of specific customers, historical trends and other information.

The Organization's revenue comes primarily from contributions from individuals and foundations. Individual entities contributing amounts in excess of 10% of total revenues are considered to be major contributors. In 2018, the Organization had three major contributors totaling approximately 48% of total revenues. In 2017, the Organization had one major contributor totaling approximately 18% of total revenues.

The process of preparing financial statements requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services based on management estimates.

In the preparation of tax returns, tax positions are taken based on interpretation of federal, state and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, state, and local tax returns generally remain open for examination by the various taxing authorities for a period of 3 to 4 years.

The Organization evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through May 1, 2019, which is the date the financial statements were available to be issued.

**NYAKA AIDS ORPHANS PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - LIQUIDITY AND AVAILABILITY**

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program service activities as well as conduct of services undertaken to support those activities to be general expenditures.

The following reflects the Organization’s financial assets as of December 31, 2018, which are deemed available for general expenditures within one year of the date of the statement of financial position. Amounts not available include board designations set aside for scholarship, research, repairs and maintenance, capital improvement and other funds.

Total financial assets at year-end	\$ 358,383
Less non-liquid assets:	
Inventory	(1,364)
Property and equipment	(3,103)
Less donor-restricted net assets	(197,495)
Less board-designated net assets	<u>(16,173)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 140,248</u></u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. While the Organization’s governing board has designated a portion of its non-restricted resources as noted above, these funds remain available and may be spent at the discretion of the board.

**NYAKA AIDS ORPHANS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - FAIR VALUE MEASUREMENTS**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

*Beneficial interest in assets held by Capital Region Community Foundation:* The Capital Region Community Foundation (CRCF) acts under an arrangement as a depository for gifts, conveyances, and other transfers intended to assist the Organization in achieving its goals and purposes. The beneficial interest held at CRCF was determined by CRCF based upon the Organization's allocable share in the market value of the underlying investments made by CRCF as reported to CRCF by a third-party trustee from published market quotes. The beneficial interest is considered a level 2 investment under current fair value measurement standards.

*Common stocks:* Valued at the closing price reported on the active market on which the individual securities are traded.

**NYAKA AIDS ORPHANS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - FAIR VALUE MEASUREMENTS (Concluded)**

The preceding method described 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.

The following is a market value summary by the level of the inputs used in evaluating the Organization's assets carried at fair value at December 31, 2018 and 2017. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities.

	<u>2018</u>	<u>2017</u>
Level 1:		
Equities:		
Common stock	\$ 2,499	\$ 2,669
Money market funds (recorded at cost)	<u>791</u>	<u>805</u>
Total investments	<u>\$ 3,290</u>	<u>\$ 3,474</u>
Level 2:		
Beneficial interest in assets held by Capital Region Community Foundation	<u>\$ 12,883</u>	<u>\$ 13,979</u>

Investment return, net consists of the following for the year ended December 31:

	<u>2018</u>	<u>2017</u>
Interest and dividends, net	\$ 5,307	\$ 9,766
Unrealized gain (loss)	536	706
Realized gain (loss)	(705)	1,310
Change in beneficial interest in assets held by community foundation	<u>(1,096)</u>	<u>1,474</u>
Total investment return, net	<u>\$ 4,042</u>	<u>\$ 13,256</u>



**NYAKA AIDS ORPHANS PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - PROMISES TO GIVE**

Promises to give consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Promises to give before unamortized discount	<u>\$ 12,250</u>	<u>\$ 45,833</u>
Amounts due in:		
Less than 1 year	<u>\$ 12,250</u>	<u>\$ 45,833</u>

Promises to give greater than one year were not discounted as management believes the amount to be insignificant. Management has determined that all promises to give are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary.

**NOTE 6 - NOTES RECEIVABLE**

Financing receivables as of December 31, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Note receivable - Interest is accrued at a fixed rate of 7.25%. Payments of interest are due monthly. All unpaid principal and interest was due October 2018. The note is unsecured.	\$ -	\$ 48,000
Less current portion	<u>-</u>	<u>(48,000)</u>
Long-term portion	<u>\$ -</u>	<u>\$ -</u>

Notes receivable are carried at unpaid principal balances, less an allowance for doubtful collection. Management periodically evaluates the adequacy of the allowance based on past experience and potential adverse situations that may affect the borrower's ability to repay. It is management's policy to write off a loan only when they are deemed to be permanently uncollectible. As of December 31, 2018 and 2017, there were no amounts past due. Management believes that no allowance is considered necessary.

**NYAKA AIDS ORPHANS PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - PROPERTY AND EQUIPMENT**

Major classes of property and equipment at December 31, 2018 and 2017, consist of the following:

	<u>Estimated useful life</u>	<u>2018</u>	<u>2017</u>
Computer equipment	5 years	\$ 14,169	\$ 12,694
Furniture and fixtures	5 years	317	-
Less accumulated depreciation		<u>(11,383)</u>	<u>(10,070)</u>
		<u>\$ 3,103</u>	<u>\$ 2,624</u>
Depreciation expense		<u>\$ 1,313</u>	<u>\$ 1,497</u>

**NOTE 8 - LONG-TERM DEBT**

The Organization received proceeds on an unsecured loan from the Gianturco Family Foundation for \$1,000 on December 11, 2017. The loan bears an interest rate of 0% and matures December 2019.

**NYAKA AIDS ORPHANS PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions as of December 31, 2018 were available for the following purposes:

	<u>2017</u>	<u>Inflows</u>	<u>Outflows</u>	<u>2018</u>
Subject to expenditure for specified purpose:				
Construction of secondary school in Uganda	\$ -	\$ 41,719	\$ 41,719	\$ -
Endowment	-	1,000	1,000	-
General operations	45,833	-	33,583	12,250
Grandmother project	-	42,994	42,994	-
Mummy Drayton School Clinic	5,564	500	4,886	1,178
NVSS construction	5,459	3,126	8,585	-
NVSS operations	-	4,000	4,000	-
Sponsor a student	40,589	186,990	50,337	177,242
Children's library	6,455	370	-	6,825
EDJA Foundation	-	15,107	15,107	-
Total net assets with donor restrictions	<u>\$ 103,900</u>	<u>\$ 295,806</u>	<u>\$ 202,211</u>	<u>\$ 197,495</u>

Net assets with donor restrictions as of December 31, 2017 were available for the following purposes:

	<u>2016</u>	<u>Revenue</u>	<u>Expense</u>	<u>2017</u>
Subject to expenditure for specified purpose:				
Clean water funding	\$ 2,917	\$ -	\$ 2,917	\$ -
Construction of secondary school in Uganda	-	14,545	14,545	-
Endowment	5,476	-	5,476	-
General operations	94,757	12,500	61,424	45,833
Grandmother project	-	45,052	45,052	-
Mummy Drayton School Clinic	12,535	100	7,071	5,564
NVSS construction	49,640	101,538	145,719	5,459
Sponsor a student	136	113,732	73,279	40,589
Solar power clinic	-	6,455	-	6,455
Total net assets with donor restrictions	<u>\$ 165,461</u>	<u>\$ 293,922</u>	<u>\$ 355,483</u>	<u>\$ 103,900</u>

**NYAKA AIDS ORPHANS PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 10 - OPERATING LEASE**

The Organization leases office space under an operating lease requiring monthly payments of \$1,250 and expires in March 2020. During 2018 and 2017, \$15,000 and \$14,750, respectively, of rent was paid under lease agreements.

Future minimum lease payments are as follows:

Years ending December 31,		
2019	\$	15,000
2020		3,750

**NOTE 11 - ENDOWMENTS**

The Organization’s endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, both donor-restricted and funds designated by the Board of Directors, are reported based on the existence or absence of donor-imposed restrictions. The endowment is classified for the following purpose at December 31:

	2018	2017
Board designated:		
Investments	\$ 3,290	\$ 3,474
Community foundation	12,883	13,979
Total endowments	\$ 16,173	\$ 17,453

The Organization has interpreted the Michigan Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds (of which they currently have none) absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classified as permanently restricted net assets (a) the original value of initial gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, 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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

**NYAKA AIDS ORPHANS PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 11 - ENDOWMENTS (Concluded)**

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Organization and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Organization.
7. The investment policies of the Organization.

The Organization's investment and spending policies for endowment assets attempt to provide a predictable stream of funding to programs supported. The spending policy should allow for predictability of spendable fund for budgeting purposes and for steady growth in distributions in support of operations at least equal to the rate of inflation, without endangering the capital value of the fund.

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation of equity securities, fixed income, and alternative investments with performance benchmarks on each asset class.

The Organization has a spending policy which shall allow for maximum annual distributions equal to 5% of the rolling average of the preceding twelve quarterly market values. In establishing this policy, the Organization considered the long-term expected return on its investments. Accordingly, the Organization expects the current spending policy to allow its net assets to grow annually. This is consistent with the Organization's objective to maintain the purchasing power of the investments and net assets, as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets are as follows for the years ended December 31:

	2018	2017
Endowment net assets, at January 1	\$ 17,453	\$ 90,192
Appropriated for expenditures	(65)	(76,343)
Interest and dividends, net	50	114
Realized gain (loss) on investments	(705)	1,310
Unrealized gain (loss) on investments	536	706
Change in beneficial interest in assets held by Community Foundation	(1,096)	1,474
Endowment net assets, at December 31	\$ 16,173	\$ 17,453

**NYAKA AIDS ORPHANS PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 12 - BENEFICIAL INTEREST IN ASSETS HELD AT COMMUNITY FOUNDATION**

The Organization established an endowment at the Capital Region Community Foundation (CRCF) during 2013 with an initial deposit of \$10,000 and named itself as the beneficiary. This amount in addition to net earnings and additional transfers is presented on the statement of financial position as, “Beneficial Interest in Assets Held at Community Foundation”, in the amount of \$12,883 and \$13,979 as of December 31, 2018 and 2017, respectively. Although this amount has been recorded as an asset, the Organization has granted variance power to CRCF. Change in the Organization’s beneficial interest is as follows for the year ended December 31:

	2018	2017
Beneficial interest, beginning of year	\$ 13,979	\$ 12,505
Change in value of beneficial interest:		
Investment income	(1,096)	1,474
Beneficial interest, end of year	\$ 12,883	\$ 13,979

**NOTE 13 - NEW ACCOUNTING STANDARD**

In August 2016, the FASB issued ASU No. 2016-14, “*Presentation of Financial Statement of Not-for-Profit Entities*” (Topic 958). 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 internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. In addition, ASU 2016-14 removes the requirement that not-for-profit entities that chose to prepare the statements of cash flows using the direct method must also present a reconciliation (the indirect method). The Organization adopted ASU No. 2016-14 for the year ending December 31, 2018. The December 31, 2017 comparative information has been reclassified to conform to the current year presentation.