

FAMILY REACH FOUNDATION
FINANCIAL STATEMENTS
AND
AUDITORS' REPORT
DECEMBER 31, 2015 AND 2014

FAMILY REACH FOUNDATION

Index

	<u>Page</u>
Independent Auditors' Report	1
Statements of financial position as of December 31, 2015 and 2014	2
Statements of activities for the years ended December 31, 2015 and 2014	3
Statements of cash flows for the years ended December 31, 2015 and 2014	4
Statement of functional expenses for the year ended December 31, 2015 with comparative totals for 2014	5
Notes to financial statements	6 – 11



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INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of
Family Reach Foundation

We have audited the accompanying financial statements of Family Reach Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, cash flows, and functional expenses 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 of 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 Family Reach Foundation as of December 31, 2015 and 2014, 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.

New York, NY
March 15, 2016

Skody Scot & Company, CPAs, P.C.

**FAMILY REACH FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014**

	2015	2014
ASSETS		
Cash and cash equivalents	\$ 871,410	\$ 529,433
Contributions receivable	50,000	175,584
Inventory	42,694	57,461
Partner advances	79,567	80,261
Investments	46,283	-
Property and equipment, net	2,908	4,235
Security deposits	3,848	2,717
Total assets	<u>\$1,096,710</u>	<u>\$ 849,691</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 27,602	\$ 27,515
Total liabilities	27,602	27,515
Commitments and contingencies (see notes)		
Net Assets:		
Unrestricted	905,308	624,676
Temporarily restricted	163,800	197,500
Permanently restricted	-	-
Total net assets	1,069,108	822,176
Total liabilities and net assets	<u>\$1,096,710</u>	<u>\$ 849,691</u>

See accompanying notes to financial statements.

**FAMILY REACH FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Support and Revenues:		
Unrestricted:		
Grants and contributions	\$ 2,252,929	\$ 1,654,794
Contributions in-kind	560,116	492,352
Special events:		
Event revenues	942,399	966,589
Less: related direct costs	(212,749)	(237,447)
Net special event income	<u>729,650</u>	<u>729,142</u>
Other income	172	208
Investment income	(3,150)	101
Release of restricted assets	97,500	-
Temporarily restricted:		
Grants and contributions	63,800	97,500
Release of restricted assets	(97,500)	-
Total support and revenues	<u>3,603,517</u>	<u>2,974,097</u>
Expenses:		
Program Expenses:		
Family relief and support	2,721,766	2,150,100
Total program expenses	<u>2,721,766</u>	<u>2,150,100</u>
Management and general	306,418	267,303
Fundraising	328,401	250,274
Total expenses	<u>3,356,585</u>	<u>2,667,677</u>
Increase/(Decrease) In Net Assets:		
Unrestricted	280,632	208,920
Temporarily restricted	(33,700)	97,500
Permanently restricted	-	-
Increase/(decrease) in net assets	<u>246,932</u>	<u>306,420</u>
Net assets, beginning of year	<u>822,176</u>	<u>515,756</u>
Net assets, end of year	<u>\$ 1,069,108</u>	<u>\$ 822,176</u>

See accompanying notes to financial statements.

**FAMILY REACH FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 246,932	\$ 306,420
Adjustments for non-cash items included in operating activities:		
Depreciation	4,192	3,476
Donated investments	(49,581)	-
(Gains)/Losses on investments	3,467	-
Changes in assets and liabilities:		
Accounts payable and accrued expenses	87	1,824
Contributions receivable	125,584	(168,233)
Inventory	14,767	(4,173)
Prepaid expenses	-	1,733
Partner advances	694	42,391
Security deposit	(1,131)	-
Net cash provided/(used) by operating activities	345,011	183,438
Cash flows from investing activities:		
Purchase of property and equipment	(2,865)	(2,996)
Dividend reinvestments	(169)	-
Net cash provided/(used) by investing activities	(3,034)	(2,996)
Cash flows from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	341,977	180,442
Cash and cash equivalents, at beginning of year	529,433	348,991
Cash and cash equivalents, at end of year	\$ 871,410	\$ 529,433

See accompanying notes to financial statements.

**FAMILY REACH FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015
WITH COMPARATIVE TOTALS FOR 2014**

	2015				2014
	Program	Supporting Services		Total Expenses	Total Expenses
	Family Relief and Support	Management and General	Fundraising		
Personnel costs:					
Salaries	\$ 433,324	\$ 113,118	\$ 150,785	\$ 697,227	\$ 491,517
Payroll taxes	29,768	14,865	14,664	59,297	44,902
Employee benefits	18,537	3,890	13,017	35,444	31,431
Pension	2,040	533	710	3,283	-
Total personnel costs	<u>483,669</u>	<u>132,406</u>	<u>179,176</u>	<u>795,251</u>	<u>567,850</u>
Direct expenses:					
Advertising and promotion	859	-	1,242	2,101	4,472
Family Assistance - direct distribution	414,972	-	-	414,972	441,555
Family Assistance - hospital distribution	1,232,478	-	-	1,232,478	812,449
Bank charges & processing fees	9,210	12,482	11,470	33,162	42,709
Consultants and contractors	477,830	64,099	65,495	607,424	562,066
Depreciation	1,425	2,767	-	4,192	3,476
Insurance	3,689	5,534	-	9,223	10,524
Meals and entertainment	4,953	2,084	4,840	11,877	9,790
Office supplies and expenses	4,999	15,228	4,335	24,562	12,585
Postage and delivery	1,546	1,045	1,122	3,713	6,504
Printing and copying	5,076	3,532	5,848	14,456	18,156
Professional fees	25,840	21,840	4,000	51,680	52,985
Program expenses - other	2,792	-	2,610	5,402	10,371
Rent and utilities	12,929	33,752	12,323	59,004	34,351
Repairs and maintenance	-	-	-	-	925
Telephone and communications	5,977	1,663	1,902	9,542	1,950
Travel and meetings	27,671	9,986	23,162	60,819	53,577
Website hosting and development	5,851	-	10,876	16,727	21,382
Total direct expenses	<u>2,238,097</u>	<u>174,012</u>	<u>149,225</u>	<u>2,561,334</u>	<u>2,099,827</u>
Total expenses	<u>\$ 2,721,766</u>	<u>\$ 306,418</u>	<u>\$ 328,401</u>	<u>\$ 3,356,585</u>	<u>\$ 2,667,677</u>

See accompanying notes to financial statements.

FAMILY REACH FOUNDATION NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The Organization

Family Reach Foundation (Organization), a not-for-profit organization, was incorporated in the State of Delaware on April 7, 2003. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal, state or local income taxes has been recorded. The Organization does not believe its financial statements contain any uncertain tax positions. The Organization primarily receives its support from contributions from foundations, corporations, individuals and from fundraising events.

Since 2003, the Organization's mission has been to help families with a child or parent afflicted with cancer deal with the overwhelming financial and emotional burdens of the disease. As families try to cope with years of cancer treatment, out-of-pocket medical expenses and everyday living costs, they often reach critical breaking points. Not only do they risk losing their homes, stability and hope, but also their ability to ensure their loved-ones receive the vital care they need to survive. To accomplish its mission, the Organization provides its Family Relief and Support program. Through an effective process developed through years of close collaboration with hospital social workers, the Family Relief and Support program provides urgent assistance to families in a timely, compassionate fashion. Grants are provided directly to vendors, typically ranging from \$500 to \$2,000, and covering mortgage or rent payments, transportation expenses, utility costs, uncovered medical bills and other everyday expenses to keep families afloat through their battles with cancer.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

In accordance with GAAP the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**FAMILY REACH FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For the purposes of the statements of financial position and the statements of cash flows, the Organization considers as cash equivalents money market funds and all highly liquid resources, such as investments in certificates of deposit, with an original maturity of three months or less.

Property and Equipment

The Organization capitalizes certain property and equipment with estimated lives of three years or more. Property and equipment are stated at cost, less accumulated depreciation. Depreciation of equipment is computed by the straight-line method over estimated useful lives ranging from three to five years. Expenditures for repairs and maintenance are expensed as incurred and major renewals and betterments are capitalized.

Revenue Recognition

Contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increases in the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. When a restriction expires (either a stipulated time period ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization allocates salaries based on estimated time and other expenses are allocated based on usage. The Organization classifies expenses, which are not directly related to a specific program, as Management and General expenses.

Advertising Costs

Direct advertising costs are charged to operations when incurred and are included in operating expenses. Direct advertising and promotion expense for the years ended December 31, 2015 and 2014 was \$2,101 and \$4,472, respectively.

Inventory

Inventory consists of pillow pets and gift cards that are to be given to children and families who are affected by cancer. Inventory is stored at an independent warehouse and is stated at the lower of cost or market and is determined using a periodic inventory method.

**FAMILY REACH FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies (Continued)

Receivables

Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Receivables that are expected to be collected within one year are recorded at their net realizable value. Receivables that are expected to be collected in future years are recorded at the present value of estimated future cash flows. All receivables are expected to be received within one year and as such have been stated at their net realizable value with no allowance for uncollectable contributions.

Investments

All marketable debt and equity securities and mutual funds are measured at fair value on a recurring basis and are reported at their fair values as of December 31, 2015 in the statement of financial position.

The Organization initially records investments it receives as donations at the fair value as of the dates the investments are donated to the Organization and thereafter carries such investments at current fair values.

Investment income (interest and dividends) is recognized as revenue in the period earned, and gains and losses (realized and unrealized) are recognized in the period they occur.

Note 2 - Fair Value Measurement of Investments

The Financial Accounting Standards Board (FASB) requires enhanced disclosures about investments that are measured and reported at fair value. FASB establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices, or for which fair value can be measured from actively quoted prices, generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Investments falling within Level 1 of the fair value hierarchy are valued using inputs based upon quoted prices in active markets for identical investments. Investments that are typically included in Level 1 are listed equity securities, publicly traded mutual funds, and exchange traded funds.

**FAMILY REACH FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 2 - Fair Value Measurement of Investments (Continued)

Level 2: Investments falling within Level 2 of the fair value hierarchy are valued using significant observable inputs other than prices quoted in active markets. Examples of Level 2 inputs are model-driven prices, quoted prices for similar investments in active markets, and quoted prices for identical or similar investments in inactive markets. Investments that are typically included in Level 2 are municipal bonds, corporate bonds, and government debt securities.

Level 3: Investments falling within Level 3 of the fair value hierarchy are valued using methodology that is unobservable and significant to the fair value measurement. Level 3 inputs require significant management judgment or estimation. Investments that are typically included in this category are investments in limited partnerships, and investments in private companies or unregistered securities.

The investment'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.

The following summarizes the valuation of the Organization's investments by the above fair value hierarchy levels as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Level 1	\$ 46,283	\$ -
Level 2	-	-
Level 3	-	-
	<u>\$ 46,283</u>	<u>\$ -</u>

Note 3 - Investments and Investment Income

Investments consisted of the following at December 31, 2015:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain/(Loss)</u>
Mutual funds	\$ 49,750	\$ 46,283	\$(3,467)

The Organization did not have any investments at December 31, 2014.

The components of investment income for the years ended December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 317	\$ 101
Net realized and unrealized gains/(losses)	(3,467)	-
Net investment income	<u>\$(3,150)</u>	<u>\$ 101</u>

**FAMILY REACH FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 4 - Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at December 31, 2015 and 2014:

	2015	2014
Checking and savings	\$ 671,306	\$ 529,433
Money market funds	200,104	-
	\$ 871,410	\$ 529,433

Note 5 - Property and Equipment

Property and equipment by major class consisted of the following at December 31, 2015 and 2014:

	2015	2014
Equipment	\$ 15,683	\$ 12,818
Less: Accumulated depreciation	(12,775)	(8,583)
	\$ 2,908	\$ 4,235

Note 6 - Donated Services

Significant services were donated to the Organization by various organizations and meet the criteria for being recognized as contributions in accordance with GAAP. Amounts are recorded at their estimated fair market values at the date of donation using published rates and prices.

Total contributions in-kind reported on the accompanying statement of activities for the years ended December 31, 2015 and 2014 amounted to \$560,116 and \$492,352, respectively. Contributions in-kind mainly consisted of donated legal services, website development and mobile-app development.

Note 7 - Commitments and Contingencies

The Organization leases office space under two noncancellable operating leases. As of December 31, 2015 the minimum aggregate annual rental commitments are as follows:

Year ended December 31, 2016	\$ 23,887
2017	25,028
2018	2,094

Total rent and related expense charged to operations for the years ended December 31, 2015 and 2014 was \$59,004 and \$34,351, respectively.

**FAMILY REACH FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 8 - Restrictions on Net Assets

Temporarily restricted net assets includes a \$100,000 reserve account. The reserve account was established in 2006 in accordance with a donor's restriction. The donor set specific guidelines for the reserve fund which the Organization's Board of Directors agreed to in a resolution which was passed in September 2006. The guidelines allow management of the Organization to access 10% of the reserve account annually, to support the operating expenditures needs of the Organization only after gaining approval through a majority vote of the Board of Directors at a scheduled Board meeting. Requests for funds beyond the 10% will require a special vote of the Board of Directors at a scheduled Board meeting. As of December 31, 2015 and 2014, the reserve fund has not been used and the balance is remains at \$100,000.

Total temporarily restricted net assets are available in future years for the following purposes:

	<u>2015</u>	<u>2014</u>
Reserve	\$ 100,000	\$ 100,000
Hands of Hope	63,800	55,000
Other program expenses	<u>-</u>	<u>42,500</u>
	<u>\$ 163,800</u>	<u>\$ 197,500</u>

Note 9 - Concentrations

The Organization maintains its bank accounts with financial institutions. Institutional balances do not include transactions which are outstanding and have not cleared their accounts. Balances that exceed the Federal Deposit Insurance Corporation insurance coverage are summarized for the years ended December 31, 2015 and 2014, as follows:

	<u>2015</u>	<u>2014</u>
Institution balances	\$ 873,075	\$ 541,216
Less: Amounts covered	<u>(457,608)</u>	<u>(250,000)</u>
Uninsured amounts	<u>\$ 415,467</u>	<u>\$ 291,216</u>

Note 10 - Related Party Transactions

The Organization paid salary to the brother of the President of the Organization's Board of Directors. For the year ended December 31, 2015 and 2014, the total salary paid to the related party amounted to \$60,500 and \$46,342, respectively.

Note 11 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures through March 15, 2016, which is the date the financial statements were available to be issued.