

FAMILY REACH FOUNDATION
FINANCIAL STATEMENTS
AND
AUDITORS' REPORT
DECEMBER 31, 2016 AND 2015

FAMILY REACH FOUNDATION

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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, 2016 and 2015, 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, 2016 and 2015, 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 7, 2017

Skody Scot & Company, CPAs, P.C.

**FAMILY REACH FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015**

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 1,382,628	\$ 871,410
Contributions receivable	260,000	50,000
Inventory	42,257	42,694
Partner advances	55,226	79,567
Investments	104,912	46,283
Property and equipment, net	5,291	2,908
Security deposits	5,492	3,848
Total assets	<u>\$ 1,855,806</u>	<u>\$ 1,096,710</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 38,986	\$ 27,602
Total liabilities	<u>38,986</u>	<u>27,602</u>
Commitments and contingencies (see notes)		
Net Assets:		
Unrestricted	1,104,986	905,308
Temporarily restricted	711,834	163,800
Permanently restricted	-	-
Total net assets	<u>1,816,820</u>	<u>1,069,108</u>
Total liabilities and net assets	<u>\$ 1,855,806</u>	<u>\$ 1,096,710</u>

See accompanying notes to financial statements.

**FAMILY REACH FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Support and Revenues:		
Unrestricted:		
Grants and contributions	\$2,771,274	\$2,252,929
Contributions in-kind	114,285	560,116
Special events:		
Event revenues	874,653	942,399
Less: related direct costs	(200,766)	(212,749)
Net special event income	<u>673,887</u>	<u>729,650</u>
Other income	2	172
Investment income	9,523	(3,150)
Release of restricted assets	63,800	97,500
Temporarily restricted:		
Grants and contributions	611,834	63,800
Release of restricted assets	(63,800)	(97,500)
Total support and revenues	<u>4,180,805</u>	<u>3,603,517</u>
Expenses:		
Program Expenses:		
Family relief and support	2,733,818	2,721,766
Total program expenses	<u>2,733,818</u>	<u>2,721,766</u>
Management and general	328,386	306,418
Fundraising	370,889	328,401
Total expenses	<u>3,433,093</u>	<u>3,356,585</u>
Increase/(Decrease) In Net Assets:		
Unrestricted	199,678	280,632
Temporarily restricted	548,034	(33,700)
Permanently restricted	-	-
Increase/(decrease) in net assets	<u>747,712</u>	<u>246,932</u>
Net assets, beginning of year	<u>1,069,108</u>	<u>822,176</u>
Net assets, end of year	<u>\$1,816,820</u>	<u>\$1,069,108</u>

See accompanying notes to financial statements.

**FAMILY REACH FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 747,712	\$ 246,932
Adjustments for non-cash items included in operating activities:		
Depreciation	4,121	4,192
Donated investments	(49,747)	(49,581)
(Gains)/Losses on investments	(8,408)	3,467
Changes in assets and liabilities:		
Accounts payable and accrued expenses	11,384	87
Contributions receivable	(210,000)	125,584
Inventory	437	14,767
Partner advances	24,341	694
Security deposit	(1,644)	(1,131)
Net cash provided/(used) by operating activities	<u>518,196</u>	<u>345,011</u>
Cash flows from investing activities:		
Purchase of property and equipment	(6,504)	(2,865)
Dividend reinvestments	(474)	(169)
Net cash provided/(used) by investing activities	<u>(6,978)</u>	<u>(3,034)</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	511,218	341,977
Cash and cash equivalents, at beginning of year	<u>871,410</u>	<u>529,433</u>
Cash and cash equivalents, at end of year	<u><u>\$ 1,382,628</u></u>	<u><u>\$ 871,410</u></u>

See accompanying notes to financial statements.

**FAMILY REACH FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016
WITH COMPARATIVE TOTALS FOR 2015**

	2016			2015	
	Program	Supporting Services		Total	
	Family Relief and Support	Management and General	Fundraising	Total Expenses	Total Expenses
Personnel costs:					
Salaries	\$ 499,179	\$ 139,400	\$ 194,694	\$ 833,273	\$ 697,227
Payroll taxes	39,785	11,110	15,517	66,412	59,297
Employee benefits	22,750	5,141	8,987	36,878	35,444
Pension	11,953	3,338	4,662	19,953	3,283
Total personnel costs	573,667	158,989	223,860	956,516	795,251
Direct expenses:					
Family Assistance - direct distribution	503,234	-	-	503,234	414,972
Family Assistance - hospital distribution	1,445,690	-	1,680	1,447,370	1,232,478
Bank charges & processing fees	15,668	13	23,502	39,183	33,162
Consultants and contractors	78,775	54,454	22,279	155,508	607,424
Depreciation	606	3,515	-	4,121	4,192
Insurance	4,135	-	6,202	10,337	9,223
Meals and entertainment	5,242	2,311	5,293	12,846	11,877
Office supplies and expenses	5,519	17,275	5,364	28,158	26,663
Postage and delivery	1,804	1,461	1,563	4,828	3,713
Printing and copying	5,023	4,854	6,127	16,004	14,456
Professional fees	25,604	21,604	4,000	51,208	51,680
Program expenses - other	8,987	-	9,672	18,659	5,402
Rent and utilities	14,269	36,268	14,298	64,835	59,004
Repairs and maintenance	1,417	11,629	2,126	15,172	-
Telephone and communications	3,332	2,297	2,649	8,278	9,542
Travel and meetings	32,638	13,716	29,962	76,316	60,819
Website hosting and development	8,208	-	12,312	20,520	16,727
Total direct expenses	2,160,151	169,397	147,029	2,476,577	2,561,334
Total expenses	\$ 2,733,818	\$ 328,386	\$ 370,889	\$ 3,433,093	\$ 3,356,585

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.

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, 2016 and 2015 in the statements 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 hierarchal 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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Level 1	\$ 104,912	\$ 46,283
Level 2	-	-
Level 3	-	-
	<u>\$ 104,912</u>	<u>\$ 46,283</u>

Note 3 - Investments and Investment Income

Investments consisted of the following at December 31, 2016:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain/(Loss)</u>
Mutual funds	\$ 75,084	\$ 78,655	\$ 3,571
Equity securities	24,414	26,257	1,843
	<u>\$ 99,498</u>	<u>\$ 104,912</u>	<u>\$ 5,414</u>

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)

**FAMILY REACH FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 3 - Investments and Investment Income (continued)

The components of investment income for the years ended December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 1,115	\$ 317
Net realized and unrealized gains/(losses)	<u>8,408</u>	<u>(3,467)</u>
Net investment income	<u>\$ 9,523</u>	<u>\$ (3,150)</u>

Note 4 - Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Checking and savings	\$1,031,882	\$ 671,306
Money market funds	<u>350,746</u>	<u>200,104</u>
	<u>\$1,382,628</u>	<u>\$ 871,410</u>

Note 5 - Property and Equipment

Property and equipment by major class consisted of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Equipment	\$ 22,187	\$ 15,683
Less: Accumulated depreciation	<u>(16,896)</u>	<u>(12,775)</u>
	<u>\$ 5,291</u>	<u>\$ 2,908</u>

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, 2016 and 2015 amounted to \$114,285 and \$560,116, respectively. Contributions in-kind mainly consisted of donated legal services, website development and mobile-app development.

**FAMILY REACH FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 7 - Commitments and Contingencies

The Organization leases office space under two noncancellable operating leases. As of December 31, 2016 the minimum aggregate annual rental commitments are as follows:

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

Total rent and related expense charged to operations for the years ended December 31, 2016 and 2015 was \$64,835 and \$59,004, respectively.

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, 2016 and 2015, the reserve fund has not been used and the balance remains at \$100,000.

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

	<u>2016</u>	<u>2015</u>
Reserve	\$ 100,000	\$ 100,000
Hands of Hope	-	63,800
Family Relief and Support	<u>611,834</u>	-
	<u>\$ 711,834</u>	<u>\$ 163,800</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, 2016 and 2015, as follows:

	<u>2016</u>	<u>2015</u>
Institution balances	\$ 1,145,338	\$ 873,075
Less: Amounts covered	<u>(347,095)</u>	<u>(457,608)</u>
Uninsured amounts	<u>\$ 798,243</u>	<u>\$ 415,467</u>

**FAMILY REACH FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 10 - Related Party Transactions

The Organization paid salary to the brother of the Vice President of the Organization's Board of Directors. For the year ended December 31, 2016 and 2015, the total salary paid to the related party amounted to \$66,000 and \$60,500, respectively.

Note 11 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures through March 7, 2017, which is the date the financial statements were available to be issued.