

FAMILY REACH FOUNDATION
FINANCIAL STATEMENTS
AND
AUDITORS' REPORT
DECEMBER 31, 2018 AND 2017

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, 2018 and 2017, and the related statements of activities, cash flows, and 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, 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.

New York, NY
May 3, 2019

Skody Scot & Company, CPAs, P.C.

**FAMILY REACH FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 5,742,758	\$ 1,734,249
Contributions receivable	22,600	200,000
Inventory	38,550	40,417
Prepaid expenses	-	2,090
Partner advances	-	838
Investments	110,710	129,659
Property and equipment, net	26,773	13,374
Security deposits	16,817	5,492
	\$ 5,958,208	\$ 2,126,119
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 264,413	\$ 94,023
Grants payable	50,000	-
Total liabilities	314,413	94,023
Commitments and contingencies (see notes)		
Net Assets:		
Without donor restrictions	249,335	1,126,034
With donor restrictions	5,394,460	906,062
Total net assets	5,643,795	2,032,096
Total liabilities and net assets	\$ 5,958,208	\$ 2,126,119

See accompanying notes to the financial statements.

**FAMILY REACH FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:						
Grants and contributions	\$ 4,085,152	\$ 5,314,647	\$ 9,399,799	\$ 2,856,892	\$ 906,062	\$ 3,762,954
Contributions in-kind	29,744	-	29,744	59,797	-	59,797
Special events:						
Event revenues	680,702	-	680,702	1,078,951	-	1,078,951
Less: related direct costs	(213,458)	-	(213,458)	(250,739)	-	(250,739)
Net special event income	467,244	-	467,244	828,212	-	828,212
Other income	1,451	-	1,451	-	-	-
Investment income	(4,486)	-	(4,486)	30,139	-	30,139
Net assets released from restriction:						
Satisfaction of purpose restrictions	826,249	(826,249)	-	711,834	(711,834)	-
Total net assets released from restrictions	826,249	(826,249)	-	711,834	(711,834)	-
Total support and revenues	5,405,354	4,488,398	9,893,752	4,486,874	194,228	4,681,102
Expenses:						
Program Expenses:						
Family relief and support	4,927,477	-	4,927,477	3,652,481	-	3,652,481
Total program expenses	4,927,477	-	4,927,477	3,652,481	-	3,652,481
Management and general	576,032	-	576,032	353,235	-	353,235
Fundraising	778,544	-	778,544	460,110	-	460,110
Total expenses	6,282,053	-	6,282,053	4,465,826	-	4,465,826
Increase/(Decrease) In Net Assets	(876,699)	4,488,398	3,611,699	21,048	194,228	215,276
Net assets, beginning of year	1,126,034	906,062	2,032,096	1,104,986	711,834	1,816,820
Net assets, end of year	\$ 249,335	\$ 5,394,460	\$ 5,643,795	\$ 1,126,034	\$ 906,062	\$ 2,032,096

See accompanying notes to the financial statements.

**FAMILY REACH FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 3,611,699	\$ 215,276
Adjustments for non-cash items included in operating activities:		
Depreciation	10,709	2,509
Donated investments	-	-
(Gains)/Losses on investments	29,529	(8,186)
Changes in assets and liabilities:		
Accounts payable and accrued expenses	170,390	55,037
Grants payable	50,000	-
Contributions receivable	177,400	60,000
Inventory	1,867	1,840
Prepaid expenses	2,090	(2,090)
Partner advances	838	54,388
Security deposits	(11,325)	-
Net cash provided/(used) by operating activities	<u>4,043,197</u>	<u>378,774</u>
Cash flows from investing activities:		
Purchase of property and equipment	(24,108)	(10,592)
Dividend reinvestments	(10,580)	(16,561)
Net cash provided/(used) by investing activities	<u>(34,688)</u>	<u>(27,153)</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	4,008,509	351,621
Cash and cash equivalents, at beginning of year	<u>1,734,249</u>	<u>1,382,628</u>
Cash and cash equivalents, at end of year	<u><u>\$ 5,742,758</u></u>	<u><u>\$ 1,734,249</u></u>

See accompanying notes to the financial statements.

**FAMILY REACH FOUNDATION
STATEMENT OF EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	<u>Program</u>	<u>Supporting Services</u>		Total Expenses
	Family Relief and Support	Management and General	Fundraising	
Personnel costs:				
Staff salaries	\$ 942,977	\$ 261,967	\$ 412,925	\$ 1,617,869
Payroll taxes	68,871	36,453	34,461	139,785
Employee benefits	67,686	18,600	28,816	115,102
Pension	19,898	7,174	6,575	33,647
Total personnel costs	<u>1,099,432</u>	<u>324,194</u>	<u>482,777</u>	<u>1,906,403</u>
Direct expenses:				
Family Assistance - direct distribution	993,029	-	-	993,029
Family Assistance - hospital distribution	2,408,190	-	-	2,408,190
Grants to other organizations	100,000	-	-	100,000
Bank charges & processing fees	18,464	18	27,696	46,178
Consultants and contractors	41,116	17,999	21,109	80,224
Depreciation	-	10,709	-	10,709
Insurance	5,777	-	8,665	14,442
Meals and entertainment	12,204	4,336	9,286	25,826
Office supplies & expenses	15,851	59,879	17,137	92,867
Postage and delivery	1,652	2,525	2,680	6,857
Printing and copying	14,644	8,508	6,167	29,319
Professional fees	28,242	25,242	5,000	58,484
Program expenses - other	8,026	-	8,184	16,210
Recruitment	31,760	-	47,640	79,400
Rent & utilities	31,467	90,459	30,534	152,460
Repairs and maintenance	-	5,013	-	5,013
Telephone and communications	15,858	3,910	19,877	39,645
Travel and meetings	75,228	23,240	51,987	150,455
Website hosting and development	26,537	-	39,805	66,342
Total direct expenses	<u>3,828,045</u>	<u>251,838</u>	<u>295,767</u>	<u>4,375,650</u>
Total expenses	<u>\$ 4,927,477</u>	<u>\$ 576,032</u>	<u>\$ 778,544</u>	<u>\$ 6,282,053</u>

See accompanying notes to the financial statements.

**FAMILY REACH FOUNDATION
STATEMENT OF EXPENSES
YEAR ENDED DECEMBER 31, 2017**

	<u>Program</u>	<u>Supporting Services</u>		Total Expenses
	Family Relief and Support	Management and General	Fundraising	
Personnel costs:				
Staff salaries	\$ 657,531	\$ 181,708	\$ 250,679	\$ 1,089,918
Payroll taxes	43,744	21,939	21,941	87,624
Employee benefits	26,473	8,067	11,306	45,846
Pension	16,355	4,548	5,283	26,186
Total personnel costs	<u>744,103</u>	<u>216,262</u>	<u>289,209</u>	<u>1,249,574</u>
Direct expenses:				
Family Assistance - direct distribution	673,033	-	-	673,033
Family Assistance - hospital distribution	1,988,625	-	240	1,988,865
Bank charges & processing fees	18,528	175	27,793	46,496
Consultants and contractors	57,594	17,322	16,513	91,429
Depreciation	606	1,903	-	2,509
Insurance	3,163	-	4,745	7,908
Meals and entertainment	9,868	3,760	8,053	21,681
Office supplies & expenses	18,548	16,073	9,915	44,536
Postage and delivery	3,409	2,121	2,227	7,757
Printing and copying	15,010	5,860	5,285	26,155
Professional fees	22,560	22,560	5,000	50,120
Program expenses - other	8,924	-	8,028	16,952
Rent & utilities	21,711	47,296	22,431	91,438
Repairs and maintenance	-	1,837	-	1,837
Telephone and communications	4,841	2,841	4,421	12,103
Travel and meetings	50,838	15,225	39,570	105,633
Website hosting and development	11,120	-	16,680	27,800
Total direct expenses	<u>2,908,378</u>	<u>136,973</u>	<u>170,901</u>	<u>3,216,252</u>
Total expenses	<u>\$ 3,652,481</u>	<u>\$ 353,235</u>	<u>\$ 460,110</u>	<u>\$ 4,465,826</u>

See accompanying notes to the 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 2018, the Organization adopted all reporting changes required under FASB ASU 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. Accordingly, all amounts on the 2018 and 2017 financial statements have been reclassified to conform to the new presentation requirements. All required disclosures have been incorporated and included on the accompanying financial statements and in these notes.

In accordance with GAAP the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions (formerly unrestricted) and with donor restrictions (formerly temporarily restricted and permanently restricted). In addition, the Organization is required to present a statement of cash flows.

FAMILY REACH FOUNDATION NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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 support with donor restrictions and increases in net assets with donor restrictions. Contributions received with temporary restrictions that are met in the same reporting period are reported as support without donor restrictions and increases in net assets without donor restrictions. When a restriction expires (either a stipulated time period ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions.

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 statements of expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and outside contractor fees based on estimated time and effort and office supplies and expenses, rent and utilities, and telephone based on usage. The Organization classifies expenses, which are not directly related to a specific program, as Management and General expenses.

**FAMILY REACH FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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, 2018 and 2017 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.

Grants Payable

Grants payable represents all unconditional grants that have been authorized and have a signed grant agreement at year end, but remain unpaid as of the statement of financial position date. Conditional grants are expensed and considered payable in the period the conditions are substantially satisfied.

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Checking and savings	\$1,722,157	\$ 878,111
Money market funds	<u>4,020,601</u>	<u>856,138</u>
	<u>\$5,742,758</u>	<u>\$1,734,249</u>

**FAMILY REACH FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 3 - 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.

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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Level 1	\$ 110,710	\$ 129,659
Level 2	-	-
Level 3	-	-
	<u>\$ 110,710</u>	<u>\$ 129,659</u>

**FAMILY REACH FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 4 - Investments and Investment Income

Investments consisted of the following at December 31, 2018:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain/(Loss)</u>
Mutual funds	\$ 102,225	\$ 83,605	\$(18,620)
Equity securities	<u>24,414</u>	<u>27,105</u>	<u>2,691</u>
	<u>\$ 126,639</u>	<u>\$ 110,710</u>	<u>\$(15,929)</u>

Investments consisted of the following at December 31, 2017:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain/(Loss)</u>
Mutual funds	\$ 91,645	\$ 94,213	\$ 2,568
Equity securities	<u>24,414</u>	<u>35,446</u>	<u>11,032</u>
	<u>\$ 116,059</u>	<u>\$ 129,659</u>	<u>\$ 13,600</u>

The components of investment income for the years ended December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 25,043	\$ 21,953
Net realized and unrealized gains/(losses)	(29,529)	<u>8,186</u>
Net investment income	<u>\$(4,486)</u>	<u>\$ 30,139</u>

Note 5 - Property and Equipment

Property and equipment by major class consisted of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Equipment	\$ 56,887	\$ 32,779
Less: Accumulated depreciation	(30,114)	(19,405)
	<u>\$ 26,773</u>	<u>\$ 13,374</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, 2018 and 2017 amounted to \$29,744 and \$59,797, respectively. Contributions in-kind mainly consisted of donated legal services, design services, and general marketing services.

**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, 2018, the minimum aggregate annual rental commitments are as follows:

Year ended December 31, 2019	\$ 159,165
2020	162,697
2021	49,118
2022	38,712
2023	32,260

Total rent and related expenses charged to operations for the years ended December 31, 2018 and 2017 was \$152,460 and \$91,438, respectively.

Note 8 - Net Assets with Donor Restrictions

As of December 31, 2018 and 2017, net assets with donor restrictions are available in future years for the following purpose:

	<u>2018</u>	<u>2017</u>
Family Relief and Support	<u>\$5,394,460</u>	<u>\$ 906,062</u>
	<u>\$5,394,460</u>	<u>\$ 906,062</u>

Note 9 - Concentrations

The Organization maintains its bank accounts with financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures bank deposits up to \$250,000 per financial institution. The Securities Investor Protection Corporation (SIPC) insures cash and securities, including money market funds, up to \$500,000 per financial institution. At times, the balances of the accounts exceeded the limits during the years ended December 31, 2018 and 2017.

For the year ended December 31, 2018, approximately 51% of the Organization's total revenue was provided by one major contributor. It is always possible that benefactors, grantors or contributors might be lost in the near term. In the event funding is terminated, the Organization's ability to continue providing program services at the same level would be greatly diminished.

**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 years ended December 31, 2018 and 2017, the total salary paid to the related party amounted to \$69,457 and \$69,300, respectively.

Note 11 - Liquidity and Availability of Financial Assets

The Organization regularly monitors liquidity required to meet its operating needs and other obligations as they come due. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities to be general expenditures. Amounts available for general expenditures over a 12-month period include donor-restricted amounts that are available for ongoing programmatic and support expenditures.

The following reflects the Organization's financial assets, as of December 31, 2018 and 2017, reduced by amounts not available for general use within one year because of contractual, donor-imposed, or internal restrictions and designations:

	<u>2018</u>	<u>2017</u>
Financial assets:		
Cash and cash equivalents	\$5,742,758	\$1,734,249
Contributions receivable	22,600	200,000
Investments	<u>110,710</u>	<u>129,659</u>
Total financial assets	5,876,068	2,063,908
Less those unavailable for general expenditures within one year	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$5,876,068</u>	<u>\$2,063,908</u>

Note 12 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures through May 3, 2019, which is the date the financial statements were available to be issued.