

# **Friends of Karen, Inc.**

Independent Auditor's Report and Financial Statements

March 31, 2021



# Friends of Karen, Inc.

March 31, 2021

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## Independent Auditor's Report

Board of Directors  
Friends of Karen, Inc.  
North Salem, New York

We have audited the accompanying financial statements of Friends of Karen, Inc., which comprise the statement of financial position as of March 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

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

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

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of Karen, Inc. as of March 31, 2021, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the Friends of Karen, Inc. March 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*BKD, LLP*

New York, New York  
June 22, 2021

**Friends of Karen, Inc.**  
**Statement of Financial Position**  
**March 31, 2021**  
**(With Summarized Financial Information as of March 31, 2020)**

	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Cash (includes \$21,295 in 2021 and \$19,234 in 2020 of restricted cash)	\$ 747,317	\$ 438,828
Investments	5,279,250	4,235,132
Contributions receivable, net	104,887	253,912
Prepaid expenses and other assets	4,923	16,783
Property and equipment, net	279,330	305,632
Total assets	\$ 6,415,707	\$ 5,250,287
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 93,547	\$ 109,051
Deferred rent payable	6,334	3,693
Deferred revenue	277,629	354,511
Loan payable	399,535	-
Total liabilities	777,045	467,255
 <b>Net Assets</b>		
Without donor restrictions		
Operating	175,337	239,480
Board designated	5,279,250	4,235,132
Total without donor restrictions	5,454,587	4,474,612
With donor restrictions	184,075	308,420
Total net assets	5,638,662	4,783,032
Total liabilities and net assets	\$ 6,415,707	\$ 5,250,287

# Friends of Karen, Inc.

## Statement of Activities

Year Ended March 31, 2021

(With Summarized Financial Information for the Year Ended March 31, 2020)

	2021						2020
	Without Donor Restrictions			With Donor Restrictions	Total		
	Operating	Board Designated	Total				
<b>Revenues and Other Support</b>							
Contributions (including \$158,333 and \$306,350 of in-kind revenue in 2021 and 2020, respectively)	\$ 1,954,685	\$ -	\$ 1,954,685	\$ 9,577	\$ 1,964,262	\$ 1,494,790	
Grants	712,246	-	712,246	58,939	771,185	704,332	
Special events (including \$9,034 and \$48,345 of in-kind revenue in 2021 and 2020, respectively)	929,116	-	929,116	9,000	938,116	1,324,709	
Less direct cost of special events	(59,217)	-	(59,217)	-	(59,217)	(237,926)	
Net assets released from restrictions	201,861	-	201,861	(201,861)	-	-	
<b>Total revenues and other support</b>	<b>3,738,691</b>	<b>-</b>	<b>3,738,691</b>	<b>(124,345)</b>	<b>3,614,346</b>	<b>3,285,905</b>	
<b>Expenses</b>							
Program services							
Family support	1,329,694	-	1,329,694	-	1,329,694	1,520,847	
Public education	400,343	-	400,343	-	400,343	387,444	
Family social work	1,280,843	-	1,280,843	-	1,280,843	1,310,898	
<b>Total program services</b>	<b>3,010,880</b>	<b>-</b>	<b>3,010,880</b>	<b>-</b>	<b>3,010,880</b>	<b>3,219,189</b>	
Supporting services							
Management and general	336,720	-	336,720	-	336,720	353,243	
Fundraising	464,334	-	464,334	-	464,334	579,222	
<b>Total supporting services</b>	<b>801,054</b>	<b>-</b>	<b>801,054</b>	<b>-</b>	<b>801,054</b>	<b>932,465</b>	
<b>Total expenses</b>	<b>3,811,934</b>	<b>-</b>	<b>3,811,934</b>	<b>-</b>	<b>3,811,934</b>	<b>4,151,654</b>	
<b>Change in Net Assets Before Other Changes</b>	<b>(73,243)</b>	<b>-</b>	<b>(73,243)</b>	<b>(124,345)</b>	<b>(197,588)</b>	<b>(865,749)</b>	
Loss on disposal of property and equipment	-	-	-	-	-	(3,004)	
Investment return	-	1,053,218	1,053,218	-	1,053,218	(226,620)	
Transfer from board-designated fund	9,100	(9,100)	-	-	-	-	
<b>Change in Net Assets</b>	<b>(64,143)</b>	<b>1,044,118</b>	<b>979,975</b>	<b>(124,345)</b>	<b>855,630</b>	<b>(1,095,373)</b>	
<b>Net Assets, Beginning of Year</b>	<b>239,480</b>	<b>4,235,132</b>	<b>4,474,612</b>	<b>308,420</b>	<b>4,783,032</b>	<b>5,878,405</b>	
<b>Net Assets, End of Year</b>	<b>\$ 175,337</b>	<b>\$ 5,279,250</b>	<b>\$ 5,454,587</b>	<b>\$ 184,075</b>	<b>\$ 5,638,662</b>	<b>\$ 4,783,032</b>	

**Friends of Karen, Inc.**  
**Statement of Functional Expenses**  
**Year Ended March 31, 2021**

**(With Summarized Financial Information for the Year Ended March 31, 2020)**

	2021								
	Program Services				Supporting Services		Direct Cost of Special Events	Total	2020
	Family Support	Public Education	Family Social Work	Total	Management and General	Fundraising			
Salaries	\$ -	\$ 323,812	\$ 930,662	\$ 1,254,474	\$ 215,556	\$ 317,773	\$ -	\$ 1,787,803	\$ 1,834,162
Payroll taxes and fringe benefits	-	41,947	131,588	173,535	29,511	49,625	-	252,671	256,047
Total salaries and related expenses	-	365,759	1,062,250	1,428,009	245,067	367,398	-	2,040,474	2,090,209
Hospital, laboratory and medical expenses	39,075	-	-	39,075	-	-	-	39,075	47,491
Hospital travel reimbursements	85,593	-	-	85,593	-	-	-	85,593	82,267
Hospital expenses - other	-	-	-	-	-	-	-	-	6,013
Housing and utilities	557,599	-	-	557,599	-	-	-	557,599	691,960
Automobile expenses	112,751	-	-	112,751	-	-	-	112,751	158,419
Donated materials and space	127,063	-	10,415	137,478	820	4,571	8,203	151,072	343,272
Donated professional services	-	-	-	-	75	-	880	955	11,423
Child care expense	12,577	-	-	12,577	-	-	-	12,577	42,211
Food and gifts	260,233	-	-	260,233	-	-	-	260,233	81,962
Other family and sibling expenses	57,741	-	-	57,741	-	-	-	57,741	32,434
Funeral and bereavement expenses	52,096	-	-	52,096	-	-	-	52,096	45,212
Office, postage and telephone	1,460	8,490	123,285	133,235	39,667	53,524	4,260	230,686	268,654
Rent	-	9,265	22,936	32,201	11,326	4,892	-	48,419	65,143
Staff travel	-	-	620	620	42	38	18	718	33,811
Insurance	-	8,884	30,433	39,317	5,995	6,902	-	52,214	54,196
Depreciation and amortization	-	6,572	27,228	33,800	5,163	7,980	-	46,943	48,240
Outreach and communications	2,165	684	-	2,849	-	18,290	5,732	26,871	42,231
Catering and entertainment	-	-	-	-	-	-	30,135	30,135	192,901
Professional fees	-	689	2,500	3,189	27,306	689	8,250	39,434	39,302
Seminars and training	-	-	-	-	-	50	-	50	1,219
Miscellaneous	21,341	-	1,176	22,517	1,259	-	1,739	25,515	11,010
Total expenses	1,329,694	400,343	1,280,843	3,010,880	336,720	464,334	59,217	3,871,151	4,389,580
Less expenses deducted directly from revenues on the statement of activities									
Direct cost of special events	-	-	-	-	-	-	(59,217)	(59,217)	(237,926)
Total expenses reported by function on the statement of activities	<u>\$ 1,329,694</u>	<u>\$ 400,343</u>	<u>\$ 1,280,843</u>	<u>\$ 3,010,880</u>	<u>\$ 336,720</u>	<u>\$ 464,334</u>	<u>\$ -</u>	<u>\$ 3,811,934</u>	<u>\$ 4,151,654</u>

# Friends of Karen, Inc.

## Statement of Cash Flows

Year Ended March 31, 2021

(With Summarized Financial Information for the Year Ended March 31, 2020)

	<u>2021</u>	<u>2020</u>
<b>Operating Activities</b>		
Change in net assets	\$ 855,630	\$ (1,095,373)
Items not requiring (providing) operating cash flows		
Depreciation and amortization	46,943	48,240
Net (gain) loss on investments	(993,611)	343,128
Loss on disposal of property and equipment	-	3,004
Donated property and equipment	(15,340)	-
Donated stock	(210,595)	-
Changes in		
Contributions receivable	149,025	(65,178)
Prepaid expenses and other assets	11,860	(828)
Accounts payable and accrued expenses	(15,504)	26,753
Deferred rent	2,641	3,693
Deferred revenue	(76,882)	316,014
Net cash used in operating activities	<u>(245,833)</u>	<u>(420,547)</u>
<b>Investing Activities</b>		
Purchase of property and equipment	(5,301)	(28,097)
Proceeds from sale of investments	772,733	2,395,191
Purchase of investments	<u>(612,645)</u>	<u>(2,032,817)</u>
Net cash provided by investing activities	<u>154,787</u>	<u>334,277</u>
<b>Financing Activities</b>		
Proceeds from loan payable	<u>399,535</u>	<u>-</u>
Net cash provided by financing activities	<u>399,535</u>	<u>-</u>
<b>Change in Cash and Restricted Cash</b>	308,489	(86,270)
<b>Cash and Restricted Cash, Beginning of Year</b>	<u>438,828</u>	<u>525,098</u>
<b>Cash and Restricted Cash, End of Year</b>	<u>\$ 747,317</u>	<u>\$ 438,828</u>



# Friends of Karen, Inc.

## Notes to Financial Statements

March 31, 2021

(With Summarized Financial Information as of and for the Year Ended March 31, 2020)

### Note 1: Nature of Operations

Friends of Karen, Inc. (the Organization) provides vital and comprehensive support to New York Tri-State region families caring for a child battling cancer or another life-threatening illness, from diagnosis through treatment. To ease the overwhelming burdens of a devastating illness that affects every member of the family, the Organization's services comprise a blend of strategic financial assistance, illness education, advocacy and supportive counseling, all provided at no cost to families. Support includes:

- payment of medical expenses for hospitals, medicines, lab fees, equipment and treatment not covered by insurance;
- financial assistance to cover basic living expenses (food, housing, utilities) when there is loss of income directly resulting from a child's illness;
- anticipatory guidance to prepare family members for what they can expect through the trajectory of the child's illness and the changes that may take place within the family dynamics;
- a sibling support program for sisters and brothers of the ill child to help them understand their sibling's illness and the dramatic changes in the family caused by the illness;
- referrals to other agencies or government programs to make sure the family receives all available care and help;
- advocacy action with issues concerning medical treatment, insurance and education;
- palliative and bereavement support for parents and siblings during end of life and after a child's death;
- gifts program for the ill child and siblings to mark birthdays, holidays and back to school.

All services are delivered by the Organization's experienced team of professionals, who include child life specialists, creative-arts therapists and licensed social workers. With an individualized plan of support for each family to meet their particular needs, the Organization's overarching goal is to enable each member of the family to remain stable, functioning and able to cope during a time of intense family crisis.

The Organization has a four-star top ranking from Charity Navigator, an independent organization that evaluates the financial efficiency and responsibility of U.S. charities. The Organization also meets the 20 Standards of Charity Accountability of the BBB of Metropolitan New York and has earned a gold seal from Guide Star.

The Organization is funded by foundation grants, contributions from individuals and organizations, and the proceeds from special events. Founded in 1978 after helping one child, Karen, and her family, the Organization has touched the lives of 17,000 children and their families.

# Friends of Karen, Inc.

## Notes to Financial Statements

March 31, 2021

(With Summarized Financial Information as of and for the Year Ended March 31, 2020)

### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### ***Cash Equivalents***

The Organization does not consider uninvested cash held in investment accounts as cash or cash equivalents.

Restricted cash included in cash represent funds to be held in perpetuity, the earnings of which are to be used for items that are important to the well-being of the child, such as tickets to the prom and guitar lessons, etc., that are not normally paid for by the Organization.

### ***Investments and Net Investment Return***

The Organization measures securities, other than investments that qualify for the equity method of accounting, at fair value.

Investment return includes interest and dividends; realized and unrealized gains and losses on investments carried at fair value. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific-identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions.

### ***Contributions***

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met

# Friends of Karen, Inc.

## Notes to Financial Statements

March 31, 2021

(With Summarized Financial Information as of and for the Year Ended March 31, 2020)

Nature of the Gift	Value Recognized
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

### ***Property and Equipment***

Property and equipment acquisitions over \$1,000 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Land improvements	15 years
Building and improvements	5-40 years
Computer hardware, software and website	3-5 years
Telephone and security system	3-7 years
Furniture and fixtures	3-7 years
Vehicles	5-7 years

# **Friends of Karen, Inc.**

## **Notes to Financial Statements**

**March 31, 2021**

**(With Summarized Financial Information as of and for the Year Ended March 31, 2020)**

### ***Long-Lived Asset Impairment***

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended March 31, 2021 and 2020.

### ***Deferred Revenue***

Deferred revenue is recorded for funds received during the current fiscal year to be spent in the future periods. Therefore, the funds are recorded as a liability at year-end.

### ***Contract Liability***

Contract liabilities included in deferred revenue represents funds received during the current fiscal year for special events to be held in the future. Contract liabilities was \$56,108 and \$24,097 at March 31, 2021 and 2020, respectively, which represent the benefit received by donors at the special event accounted for under Accounting Standards Codification (ASC) 606. There was no contract liability as of April 1, 2019.

### ***Special Events***

The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. All proceeds received are recorded as special events revenues in the accompanying statement of activities.

### ***Donated Services and Materials***

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Organization's programs. The Organization pays for most services requiring specific expertise. Donated materials and donated professional services are recorded at fair value at the date of the donation.

### ***Rent Expense***

Rent has been recorded on the straight-line basis over the life of the lease. Deferred rent has been recorded for the difference between fixed payments and the rent expense, if material.

# **Friends of Karen, Inc.**

## **Notes to Financial Statements**

**March 31, 2021**

**(With Summarized Financial Information as of and for the Year Ended March 31, 2020)**

### ***Functional Allocation of Expenses***

The costs of providing the Organization's programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general, and fundraising categories based on salaries and other methods.

### ***Net Assets***

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions include board-designated funds and funds having no restriction as to use or purpose imposed by donors. These net assets account for resources over which the Board of Directors has discretionary control to use for operations.

Net assets with donor restrictions are subject to donor restrictions. Some 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 restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

### ***Measure of Operations***

The Organization includes in its definition of operations all revenues and expenses associated with providing support to families of children with catastrophic and life-threatening illnesses, with the exception of loss on disposal of property and equipment, investment return and transfers from board-designated fund.

### ***Summarized Financial Information***

The financial statements include certain prior-year summarized comparative information in total but not by net asset class and functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended March 31, 2020, from which the summarized information was derived.

### ***Income Taxes***

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization files tax returns in the U.S. federal jurisdiction.

# Friends of Karen, Inc.

## Notes to Financial Statements

March 31, 2021

(With Summarized Financial Information as of and for the Year Ended March 31, 2020)

### Note 2: Grant Future Commitments

The Organization receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of the Organization are prepared on the accrual basis, all earned portions of the grants not yet received as of March 31, 2021, have been recorded as receivables. The following are the grant commitments that extend beyond March 31, 2021:

<u>Grant</u>	<u>Grant Award</u>	<u>Earned Through March 31, 2021</u>	<u>Funds Available</u>
The Change Reaction	\$ 200,000	\$ 36,979	\$ 163,021

### Note 3: Revenue from Contracts with Special Event Attendees

#### ***Special Events Revenue***

Revenue from special events is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for the direct cost of the benefits received by the participant at the event.

#### ***Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations***

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over a period of time is generally recognized when goods are provided to donors over a period of time and the Organization does not believe it is required to provide additional goods or services related to that sale.

#### ***Transaction Price***

The Organization determines the transaction price based on standard charges for goods and services provided. For the years ended March 31, 2021 and 2020, the Organization recognized revenue of \$0 and \$133,285 respectively, from goods and services that transfer to the attendee over a period of time.

**Friends of Karen, Inc.**  
**Notes to Financial Statements**  
**March 31, 2021**

(With Summarized Financial Information as of and for the Year Ended March 31, 2020)

**Note 4: Disclosures About Fair Value of Assets**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets
- Level 3** Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets

**Recurring Measurements**

The following tables present the fair value measurements of assets recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at March 31, 2021 and 2020.

	<b>2021</b>	
		<b>Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)</b>
	<b>Total</b>	<b>(Level 1)</b>
Mutual funds		
Bond	\$ 1,935,119	\$ 1,935,119
Emerging markets	208,812	208,812
Foreign	461,131	461,131
Growth	537,621	537,621
Value	1,170,346	1,170,346
Total	4,313,029	\$ 4,313,029
Cash equivalents	966,221	
Total	\$ 5,279,250	

# Friends of Karen, Inc.

## Notes to Financial Statements

March 31, 2021

(With Summarized Financial Information as of and for the Year Ended March 31, 2020)

	<u>2020</u>	
	<u>Total</u>	<u>Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Mutual funds		
Bond	\$ 1,887,516	\$ 1,887,516
Emerging markets	170,176	170,176
Foreign	393,994	393,994
Growth	479,933	479,933
Value	<u>842,350</u>	<u>842,350</u>
Total	3,773,969	<u>\$ 3,773,969</u>
Cash equivalents	<u>461,163</u>	
Total	<u>\$ 4,235,132</u>	

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended March 31, 2021 and 2020.

### ***Investments***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.



# Friends of Karen, Inc.

## Notes to Financial Statements

March 31, 2021

(With Summarized Financial Information as of and for the Year Ended March 31, 2020)

### Note 5: Contributions Receivable

Contributions receivable consisted of the following:

	<u>2021</u>	<u>2020</u>
	<u>With Donor Restrictions</u>	<u>With Donor Restrictions</u>
Due within one year	\$ 80,700	\$ 181,450
Due within one to five years	<u>25,000</u>	<u>75,000</u>
	105,700	256,450
Less discount to present value	<u>(813)</u>	<u>(2,538)</u>
	<u>\$ 104,887</u>	<u>\$ 253,912</u>

All contributions receivable have been reflected at present value. Contributions receivable are discounted using a 3.75 percent discount rate for commitment made prior to March 31, 2020 and 3.25 percent for commitment received afterwards.

### Note 6: Property and Equipment

	<u>2021</u>	<u>2020</u>
Land	\$ 1	\$ 1
Land improvements	46,050	46,050
Building and improvements	673,435	673,435
Computer hardware, software and website	194,395	223,946
Telephone and security system	30,339	17,901
Furniture and fixtures	55,778	52,876
Vehicles	<u>1,500</u>	<u>21,447</u>
	1,001,498	1,035,656
Total property and equipment	1,001,498	1,035,656
Less accumulated depreciation and amortization	<u>(722,168)</u>	<u>(730,024)</u>
Net	<u>\$ 279,330</u>	<u>\$ 305,632</u>

The Organization owns a building and land in North Salem, NY. The original price of the land cannot be determined and has been assigned a nominal value of \$1.

**Friends of Karen, Inc.**  
**Notes to Financial Statements**  
**March 31, 2021**

**(With Summarized Financial Information as of and for the Year Ended March 31, 2020)**

**Note 7: Donations**

The Organization receives various nonmonetary donations which are subsequently disbursed to multiple families. Donations of \$158,209 and \$299,857 have been reflected in the 2021 and 2020 financial statements, respectively, as donated materials (including \$15,340 of property and equipment donated in 2021). In addition, during 2021 and 2020, the Organization received nonmonetary contributions of \$8,203 and \$43,415, respectively, in connection with its special events activities, which were recorded as contribution income and direct cost of special events. During 2021 and 2020, the Organization received \$955 and \$11,423, respectively, in donated professional services (including \$880 and \$4,930 recorded as direct cost of special events in 2021 and 2020, respectively), which have been recorded as revenue and expenses. In 2021, the Organization received donated stock valued at \$210,595.

**Note 8: Operating Leases**

The Organization leases space located at 21 Perry Street, Port Jefferson, NY for its programs. The lease expired on August 31, 2019 and was renewed with the new expiration date of August 31, 2021.

In addition, the Organization leases space located at 205 East 42 Street, New York, NY, the lease expired on April 30, 2021.

Future minimum rental payments under current operating leases at March 31, 2021 are due as follows:

2022	\$ 14,526
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Rent expense for the years ended March 31, 2021 and 2020 was \$48,419 and \$65,143, respectively. During 2021, the Organization received a five months discount on the rent in the amount of approximately \$17,000.

On June 8, 2021, the Organization signed a four-year lease for a space located at 150 Broadhollow Road, Melville, NY for its programs. The lease commencement date is August 1, 2021 with the option to start making payments on the rent effective September 1, 2021.

Future minimum rental payments under this lease are as follows:

2022	\$ 14,643
2023	25,604
2024	26,372
2025	11,163
	\$ 77,782

# Friends of Karen, Inc.

## Notes to Financial Statements

March 31, 2021

(With Summarized Financial Information as of and for the Year Ended March 31, 2020)

### Note 9: Retirement Plan

The Organization sponsors a 403(b) retirement plan. Participation in this plan is voluntary and there were no employer contributions to the plan during 2021 and 2020.

### Note 10: Net Assets With Donor Restrictions

#### *Net Assets With Donor Restrictions*

Net assets with donor restrictions are available for the following purposes:

	<u>2021</u>	<u>2020</u>
Family support	\$ 88,703	\$ 122,105
Sibling support	7,650	4,454
Time restricted	78,188	172,327
Capital campaign	<u>9,534</u>	<u>9,534</u>
	<u>\$ 184,075</u>	<u>\$ 308,420</u>

Net assets of \$18,000 are to be held in perpetuity, the earnings of which are to be used for items that are important to the well-being of the child, such as tickets to the prom and guitar lessons, etc., that are not normally paid for by the Organization. The total endowment was \$21,295 and \$19,234 as of March 31, 2021 and 2020, respectively, and is included as part of family support.

#### *Net Assets Released from Restrictions*

Net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes:

	<u>2021</u>
Sibling support	\$ 4,454
Family support	92,542
Time restricted	<u>104,865</u>
	<u>\$ 201,861</u>

# Friends of Karen, Inc.

## Notes to Financial Statements

March 31, 2021

(With Summarized Financial Information as of and for the Year Ended March 31, 2020)

### Note 11: Board-Designated Administrative Fund

In 1999, the Board of Directors authorized the creation of the Friends of Karen Administrative Fund for the purpose of providing a stable source of funding for the operations of the Organization. The fund is a board-designated fund with no donor-imposed restrictions. The Board has directed that the income and/or losses increase or decrease the value of the fund. Transfers will be made to the undesignated funds by the Board of Directors on an as-needed basis. The Board of Directors can change the terms and conditions governing the operation of the fund. During the years ended March 31, 2021 and 2020, the Board of Directors authorized transfers into and out of the fund, which are recorded as transfers to/from the board-designated fund on the statement of activities.

	<u>2021</u>	<u>2020</u>
Opening balance	\$ 4,235,132	\$ 4,940,634
Investment return	1,053,218	(226,711)
Net other transfers from board-designated fund	(9,100)	(4,189)
Board approved transfers	<u>-</u>	<u>(474,602)</u>
Ending balance	<u>\$ 5,279,250</u>	<u>\$ 4,235,132</u>

### Note 12: Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of March 31, 2021 and 2020, comprise the following:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end		
Cash	\$ 747,317	\$ 438,828
Investments	5,279,250	4,235,132
Contributions receivable	<u>104,887</u>	<u>253,912</u>
Total financial assets at year-end	6,131,454	4,927,872
Less three-year average of operating budget	(4,170,234)	(4,117,586)
Less net assets with donor restrictions	<u>(184,075)</u>	<u>(308,420)</u>
Financial assets available to meet general expenditure within one year	<u>\$ 1,777,145</u>	<u>\$ 501,866</u>

# Friends of Karen, Inc.

## Notes to Financial Statements

March 31, 2021

(With Summarized Financial Information as of and for the Year Ended March 31, 2020)

As of March 31, 2021 and 2020, the Organization has \$1,777,145 and \$501,866 respectively, of net assets available to meet the needs of the Organization for one year. These assets are largely kept in the board-designated administrative fund and can be made available if necessary. The Organization has a board-designated fund policy to maintain the average of the last three fiscal year operating expenses; the rest of the fund is then available to meet the general expenditure for one year. The board-designated administrative fund is funded with surplus in operating funds from special grants, appeals or bequests. These assets are at fair value, with 82 percent and 89 percent of the assets in mutual funds as of March 31, 2021 and 2020, respectively. The Board of Directors has discretionary control to use this fund for operations. During the years ended March 31, 2021 and 2020, the level of liquidity was managed within the policy requirements.

### Note 13: Loan Payable

On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act*. On May 5, 2020, the Organization received a loan in the amount of \$399,535 pursuant to the Paycheck Protection Program (PPP) and matures on May 5, 2022. The Organization has elected to account for the funding as a loan under ASC Topic 470, *Debt*. The loan is due in two years from the date of the first disbursement under the loan and has a fixed interest rate of one percent per year. Any forgiveness of the loan will be recognized as a gain in the financial statements in the period the debt is legally released. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audits, adjustments could be required to any gain recognized.

Principal payments are due as follows:

2022	\$	263,439
2023		<u>136,096</u>
	\$	<u>399,535</u>

### Note 14: Economic Uncertainties

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, changes in net assets and cash flows of the Organization. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

### Note 15: Subsequent Events

Subsequent events have been evaluated through June 22, 2021, which is the date the financial statements were available to be issued.

# **Friends of Karen, Inc.**

## **Notes to Financial Statements**

**March 31, 2021**

**(With Summarized Financial Information as of and for the Year Ended March 31, 2020)**

### **Note 16: Concentrations**

#### ***Investments***

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

#### ***Special Events***

Revenue from one special event represents 53 percent and 54 percent of total special event revenue in 2021 and 2020, respectively.

### **Note 17: Future Change in Accounting Principle**

#### ***Accounting for Leases***

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease-term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021 and any interim periods within annual reporting periods that begin after December 15, 2022. The Organization is evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.