

Friends of Karen, Inc.

Independent Auditor's Report and Financial Statements

March 31, 2022

Friends of Karen, Inc.

March 31, 2022

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Friends of Karen, Inc., which comprise the statement of financial position as of March 31, 2022, and the related statements of activities, functional expenses, and cash flow for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Friends of Karen, Inc. as of March 31, 2022, and the changes 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Friends of Karen, Inc., and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends of Karen, Inc.'s ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material

if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts, and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Friends of Karen, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends of Karen, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the March 31, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 22, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

FORVIS,LLP

New York, New York
June 28, 2022

Friends of Karen, Inc.
Statement of Financial Position
March 31, 2022
(With Summarized Financial Information as of March 31, 2021)

	2022	2021
Assets		
Cash (includes \$25,694 in 2022 and \$21,295 in 2021 of restricted cash)	\$ 769,022	\$ 747,317
Investments	5,159,341	5,279,250
Contributions receivable, net	201,062	104,887
Prepaid expenses and other assets	19,829	4,923
Property and equipment, net	252,944	279,330
Total assets	\$ 6,402,198	\$ 6,415,707
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 123,343	\$ 93,547
Deferred rent payable	-	6,334
Deferred revenue	166,849	277,629
Loan payable	-	399,535
Total liabilities	290,192	777,045
Net Assets		
Without donor restrictions		
Operating	616,235	175,337
Board designated	5,159,341	5,279,250
Total without donor restrictions	5,775,576	5,454,587
With donor restrictions	336,430	184,075
Total net assets	6,112,006	5,638,662
Total liabilities and net assets	\$ 6,402,198	\$ 6,415,707

Friends of Karen, Inc.

Statement of Activities

Year Ended March 31, 2022

(With Summarized Financial Information for the Year Ended March 31, 2022)

	2022						2021
	Without Donor Restrictions			With Donor Restrictions	Total		
	Operating	Board Designated	Total				
Revenues and Other Support							
Contributions (including \$185,072 and \$158,333 of in-kind revenue in 2021 and 2020, respectively)	\$ 1,940,417	\$ -	\$ 1,940,417	\$ 2,661	\$ 1,943,078	\$ 1,964,262	
Grants	724,437	-	724,437	255,048	979,485	771,185	
Special events (including \$42,812 and \$9,034 of in-kind revenue in 2022 and 2021, respectively)	1,193,872	-	1,193,872	12,500	1,206,372	938,116	
Less direct cost of special events	(183,746)	-	(183,746)	-	(183,746)	(59,217)	
Forgiveness of debt	399,535	-	399,535	-	399,535	-	
Other	17,843	-	17,843	-	17,843	-	
Net assets released from restrictions	117,854	-	117,854	(117,854)	-	-	
Total revenues and other support	4,210,212	-	4,210,212	152,355	4,362,567	3,614,346	
Expenses							
Program services							
Family support	1,479,164	-	1,479,164	-	1,479,164	1,329,694	
Public education	402,247	-	402,247	-	402,247	400,343	
Family social work	1,231,239	-	1,231,239	-	1,231,239	1,280,843	
Total program services	3,112,650	-	3,112,650	-	3,112,650	3,010,880	
Supporting services							
Management and general	357,479	-	357,479	-	357,479	336,720	
Fundraising	482,231	-	482,231	-	482,231	464,334	
Total supporting services	839,710	-	839,710	-	839,710	801,054	
Total expenses	3,952,360	-	3,952,360	-	3,952,360	3,811,934	
Change in Net Assets Before Other Changes	257,852	-	257,852	152,355	410,207	(197,588)	
Loss on disposal of property and equipment	(1,500)	-	(1,500)	-	(1,500)	-	
Investment return	-	64,637	64,637	-	64,637	1,053,218	
Transfer from board-designated fund	184,546	(184,546)	-	-	-	-	
Change in Net Assets	440,898	(119,909)	320,989	152,355	473,344	855,630	
Net Assets, Beginning of Year	175,337	5,279,250	5,454,587	184,075	5,638,662	4,783,032	
Net Assets, End of Year	\$ 616,235	\$ 5,159,341	\$ 5,775,576	\$ 336,430	\$ 6,112,006	\$ 5,638,662	

Friends of Karen, Inc.
Statement of Functional Expenses
Year Ended March 31, 2022
(With Summarized Financial Information for the Year Ended March 31, 2021)

	2022				Supporting Services		Direct Cost of Special Events	Total	2021
	Program Services		Family		Management and General	Fundraising			
	Family Support	Public Education	Social Work	Total					
Salaries	\$ 13,821	\$ 336,917	\$ 899,744	\$ 1,250,482	\$ 215,321	\$ 322,495	\$ -	\$ 1,788,298	\$ 1,787,803
Payroll taxes and fringe benefits	1,057	35,332	139,399	175,788	29,746	55,299	-	260,833	252,671
Total salaries and related expenses	14,878	372,249	1,039,143	1,426,270	245,067	377,794	-	2,049,131	2,040,474
Hospital, laboratory and medical expenses	53,231	-	-	53,231	-	-	-	53,231	39,075
Hospital travel reimbursements	111,520	-	-	111,520	-	-	-	111,520	85,593
Hospital expenses - other	6,247	-	-	6,247	-	-	-	6,247	-
Housing and utilities	736,904	-	-	736,904	-	-	-	736,904	557,599
Automobile expenses	104,686	-	-	104,686	-	-	-	104,686	112,751
Donated materials and space	167,896	-	15	167,911	1,581	525	40,812	210,829	151,072
Donated professional services	-	-	-	-	13,055	-	2,000	15,055	955
Child care expense	48,127	-	-	48,127	-	-	-	48,127	12,577
Food and gifts	120,247	-	-	120,247	25	-	-	120,272	260,233
Other family and sibling expenses	23,254	-	-	23,254	-	-	-	23,254	57,741
Funeral and bereavement expenses	61,073	-	-	61,073	-	-	-	61,073	52,096
Office, postage and telephone	11,319	9,065	130,323	150,707	42,696	60,137	1,927	255,467	230,686
Rent	-	1,615	2,172	3,787	12,610	5,445	-	21,842	48,419
Staff travel	-	-	2,001	2,001	47	217	1,013	3,278	718
Insurance	-	8,288	28,938	37,226	5,524	6,432	-	49,182	52,214
Depreciation and amortization	-	6,108	25,302	31,410	4,798	7,416	-	43,624	46,943
Outreach and communications	2,325	3,806	-	6,131	-	22,494	8,650	37,275	26,871
Catering and entertainment	109	-	-	109	-	-	84,564	84,673	30,135
Professional fees	-	180	2,475	2,655	26,000	546	40,491	69,692	39,434
Seminars and training	-	-	577	577	3,183	43	-	3,803	50
Miscellaneous	17,348	936	293	18,577	2,893	1,182	4,289	26,941	25,515
Total expenses	1,479,164	402,247	1,231,239	3,112,650	357,479	482,231	183,746	4,136,106	3,871,151
Less expenses deducted directly from revenues on the statement of activities									
Direct cost of special events	-	-	-	-	-	-	(183,746)	(183,746)	(59,217)
Total expenses reported by function on the statement of activities	<u>\$ 1,479,164</u>	<u>\$ 402,247</u>	<u>\$ 1,231,239</u>	<u>\$ 3,112,650</u>	<u>\$ 357,479</u>	<u>\$ 482,231</u>	<u>\$ -</u>	<u>\$ 3,952,360</u>	<u>\$ 3,811,934</u>

Friends of Karen, Inc.

Statement of Cash Flows

Year Ended March 31, 2022

(With Summarized Financial Information for the Year Ended March 31, 2021)

	<u>2022</u>	<u>2021</u>
Operating Activities		
Change in net assets	\$ 473,344	\$ 855,630
Items not requiring (providing) operating cash flows		
Depreciation and amortization	43,624	46,943
Net (gain) loss on investments	38,401	(993,611)
Loss on disposal of property and equipment	1,500	-
Donated property and equipment	(2,000)	(15,340)
Donated stock	(95,445)	(210,595)
Gain on forgiveness of debt	(399,535)	-
Changes in		
Contributions receivable	(96,175)	149,025
Prepaid expenses and other assets	(14,906)	11,860
Accounts payable and accrued expenses	29,796	(15,504)
Deferred rent	(6,334)	2,641
Deferred revenue	(110,780)	(76,882)
Net cash used in operating activities	<u>(138,510)</u>	<u>(245,833)</u>
Investing Activities		
Purchase of property and equipment	(16,738)	(5,301)
Proceeds from sale of investments	357,469	772,733
Purchase of investments	(180,516)	(612,645)
Net cash provided by investing activities	<u>160,215</u>	<u>154,787</u>
Financing Activities		
Proceeds from loan payable	-	399,535
Net cash provided by financing activities	<u>-</u>	<u>399,535</u>
Change in Cash and Restricted Cash	21,705	308,489
Cash and Restricted Cash, Beginning of Year	<u>747,317</u>	<u>438,828</u>
Cash and Restricted Cash, End of Year	<u>\$ 769,022</u>	<u>\$ 747,317</u>

Friends of Karen, Inc.

Notes to Financial Statements

March 31, 2022

(With Summarized Financial Information as of and for the Year Ended March 31, 2021)

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 illness-related expenses for hospitals, medicines, lab fees, doctor visits, equipment and treatment not covered by insurance, travel to treatment;
- financial assistance to cover basic living expenses (food, clothing, housing, utilities) when there is loss of income directly resulting from a child's critical illness;
- anticipatory guidance to prepare all 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 special educational needs;
- 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 licensed professionals, who include child life specialists, creative-arts therapists and 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 more than 17,500 children and their families.

Friends of Karen, Inc.

Notes to Financial Statements

March 31, 2022

(With Summarized Financial Information as of and for the Year Ended March 31, 2021)

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.

On March 31, 2022, the Organization's cash accounts exceeded federally insured limits by approximately \$106,000.

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:

Nature of the Gift	Value Recognized
<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, 2022

(With Summarized Financial Information as of and for the Year Ended March 31, 2021)

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, 2022

(With Summarized Financial Information as of and for the Year Ended March 31, 2021)

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, 2022 and 2021.

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 Liabilities

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 were \$0, \$56,108, and \$24,097 at March 31, 2022, 2021, and April 1, 2020, respectively, which represent the benefit received by donors at the special event accounted for under Accounting Standards Codification (ASC) 606.

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, 2022

(With Summarized Financial Information as of and for the Year Ended March 31, 2021)

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, 2021, 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, 2022

(With Summarized Financial Information as of and for the Year Ended March 31, 2021)

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, 2022, have been recorded as receivables. The conditional amounts will be recognized as grant revenues when the Organization incurs qualifying expenses. The following are the grant commitments that extend beyond March 31, 2022:

Grant	Grant Award	Earned Through March 31, 2022	Funds Available
The Change Reaction	\$ 300,000	\$ 277,867	\$ 22,133

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, 2022 and 2021, the Organization recognized revenue of \$59,245 and \$0 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, 2022

(With Summarized Financial Information as of and for the Year Ended March 31, 2021)

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, 2022 and 2021.

	2022	
	Total	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)
Mutual funds		
Bond	\$ 2,205,902	\$ 2,205,902
Emerging markets	202,898	202,898
Foreign	481,446	481,446
Growth	673,054	673,054
Value	1,220,146	1,220,146
Total	4,783,446	\$ 4,783,446
Cash equivalents	375,895	
Total	\$ 5,159,341	

Friends of Karen, Inc.

Notes to Financial Statements

March 31, 2022

(With Summarized Financial Information as of and for the Year Ended March 31, 2021)

	<u>2021</u>	
	<u>Total</u>	<u>Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
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	<u>1,170,346</u>	<u>1,170,346</u>
Total	4,313,029	<u>\$ 4,313,029</u>
Cash equivalents	<u>966,221</u>	
Total	<u>\$ 5,279,250</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, 2022 and 2021.

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, 2022

(With Summarized Financial Information as of and for the Year Ended March 31, 2021)

Note 5: Contributions Receivable

Contributions receivable consisted of the following:

	<u>2022</u>	<u>2021</u>
	<u>With Donor Restrictions</u>	<u>With Donor Restrictions</u>
Due within one year	\$ 133,512	\$ 80,700
Due within one to five years	70,000	25,000
	203,512	105,700
Less discount to present value	<u>(2,450)</u>	<u>(813)</u>
	<u>\$ 201,062</u>	<u>\$ 104,887</u>

All contributions receivable have been reflected at present value. Contributions receivable are discounted using a 3.25 – 3.75 % discount rates.

Note 6: Property and Equipment

	<u>2022</u>	<u>2021</u>
Land	\$ 1	\$ 1
Land improvements	46,050	46,050
Building and improvements	673,435	673,435
Computer hardware, software and website	200,602	194,395
Telephone and security system	19,616	30,339
Furniture and fixtures	55,778	55,778
Vehicles	1,500	1,500
	996,982	1,001,498
Total property and equipment	996,982	1,001,498
Less accumulated depreciation and amortization	<u>(744,038)</u>	<u>(722,168)</u>
Net	<u>\$ 252,944</u>	<u>\$ 279,330</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, 2022

(With Summarized Financial Information as of and for the Year Ended March 31, 2021)

Note 7: Donations

The Organization receives various nonmonetary donations which are subsequently disbursed to multiple families. Donations of \$185,072 and \$158,333 have been reflected in the 2022 and 2021 financial statements, respectively, as donated materials (including \$2,000 and \$15,340 of property and equipment donated in 2022 and 2021, respectively). In addition, during 2022 and 2021, the Organization received nonmonetary contributions of \$40,812 and \$8,203 respectively, in connection with its special events activities, which were recorded as contribution income and direct cost of special events. During 2022 and 2021, the Organization received \$15,055 and \$955, respectively, in donated professional services (including \$2,000 and \$880 recorded as direct cost of special events in 2022 and 2021, respectively), which have been recorded as revenue and expenses. During 2022 and 2021, the Organization received donated stock valued \$95,445 and \$210,595, respectively.

Note 8: Operating Leases

The Organization leased space located at 21 Perry Street, Port Jefferson, NY for its programs. The lease expired on August 31, 2021.

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

Rent expense for the years ended March 31, 2022 and 2020 was \$21,842 and \$48,419, respectively. During 2022 and 2021, the Organization received a one month and five months discount on the rent in the amount of approximately \$2,092 and \$17,000, respectively.

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 payments on the rent effective September 1, 2021.

Future minimum rental payments under this lease are as follows:

2023	\$ 25,604
2024	26,372
2025	<u>11,163</u>
	<u>\$ 63,139</u>

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 2022 and 2021.

Friends of Karen, Inc.

Notes to Financial Statements

March 31, 2022

(With Summarized Financial Information as of and for the Year Ended March 31, 2021)

Note 10: Net Assets With Donor Restrictions

Net Assets With Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Family support	\$ 282,222	\$ 88,703
Sibling support	9,624	7,650
Time restricted	35,050	78,188
Capital campaign	<u>9,534</u>	<u>9,534</u>
	<u>\$ 336,430</u>	<u>\$ 184,075</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 \$23,956 and \$21,295 as of March 31, 2022 and 2021, 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>2022</u>
Sibling support	\$ 7,618
Family support	56,236
Time restricted	<u>54,000</u>
	<u>\$ 117,854</u>

Friends of Karen, Inc.

Notes to Financial Statements

March 31, 2022

(With Summarized Financial Information as of and for the Year Ended March 31, 2021)

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, 2022 and 2021, 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>2022</u>	<u>2021</u>
Opening balance	\$ 5,279,250	\$ 4,235,132
Investment return	64,637	1,053,218
Net other transfers to/from board-designated fund	65,454	(9,100)
Board approved transfers	<u>(250,000)</u>	<u>-</u>
Ending balance	<u>\$ 5,159,341</u>	<u>\$ 5,279,250</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, 2022 and 2021, comprise the following:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end		
Cash	\$ 769,022	\$ 747,317
Investments	5,159,341	5,279,250
Contributions receivable	<u>201,062</u>	<u>104,887</u>
Total financial assets at year-end	6,129,425	6,131,454
Less three-year average of operating budget	(4,047,456)	(4,170,234)
Less net assets with donor restrictions	<u>(336,430)</u>	<u>(184,075)</u>
Financial assets available to meet general expenditure within one year	<u>\$ 1,745,539</u>	<u>\$ 1,777,145</u>

Friends of Karen, Inc.
Notes to Financial Statements
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(With Summarized Financial Information as of and for the Year Ended March 31, 2021)

As of March 31, 2022 and 2021, the Organization has \$1,794,677 and \$1,777,145 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 80 % and 82 % of the assets in mutual funds as of March 31, 2022 and 2021, respectively. The Board of Directors has discretionary control to use this fund for operations. During the years ended March 31, 2022 and 2021, 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 \$- pursuant to the Paycheck Protection Program (PPP) and matures on May 5, 2022. The Organization elected to account for the funding as a loan under ASC Topic 470, *Debt*. The loan was due two years from the date of the first disbursement under the loan and had a fixed interest rate of one percent per year. During 2022, the PPP loan was fully forgiven and was recognized as forgiveness of debt in the statements of activities.

Note 14: Subsequent Events

Subsequent events have been evaluated through June 28, 2022, which is the date the financial statements were available to be issued.

Note 15: 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 71 % and 53 % of total special event revenue in 2022 and 2021, respectively.

Friends of Karen, Inc.
Notes to Financial Statements
March 31, 2022

(With Summarized Financial Information as of and for the Year Ended March 31, 2021)

Note 16: Future Change in Accounting Principle

Accounting for Leases

The Financial Accounting Standards Board (FASB) 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.

Contributed Nonfinancial Assets

On September 17, 2020, FASB issued Accounting Standards Update (ASU) 2020-07, Topic 958: *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* to increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The standard requires contributed nonfinancial assets to be presented on a separate line item in the statement of activities, segregated apart from contributions of cash and other financial assets. Additionally, disclosure requirements have been amended to require a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets, as well as specific disclosure requirements for each category recognized. The amendments in this update should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The Organization is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have an impact on the detail of disclosures in the notes to the financial statements.