

FRIENDS OF KAREN, INC.

FINANCIAL STATEMENTS

MARCH 31, 2023

**(WITH SUMMARIZED COMPARATIVE
TOTALS FOR MARCH 31, 2022)**

FRIENDS OF KAREN, INC.

CONTENTS

	<u>Page</u>
<u>Independent Auditors' Report</u>	1-3
<u>Financial Statements</u>	
Statement of Financial Position at March 31, 2023 (With Summarized Comparative Totals at March 31, 2022)	4
Statement of Activities for the Year Ended March 31, 2023 (With Summarized Comparative Totals for the Year Ended March 31, 2022)	5
Statement of Functional Expenses for the Year Ended March 31, 2023 (With Summarized Comparative Totals for the Year Ended March 31, 2022)	6
Statement of Cash Flows for the Year Ended March 31, 2023 (With Summarized Comparative Totals for the Year Ended March 31, 2022)	7
Notes to Financial Statements	8-21

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Friends of Karen, Inc., which comprise the statement of financial position as of March 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, 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. Our responsibilities under those standards are further described in the Auditors' 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.

Emphasis of Matter

As discussed in Note 13 to the financial statements, Friends of Karen, Inc. has restated amounts in the prior year contribution and grants receivable and refundable advance as a result of correction of errors. As a result, Friends of Karen, Inc. has restated its financial statements at March 31, 2022. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, Friends of Karen, Inc. changed its accounting policy related to its recording of leases whereby it is recognizing a right-of-use asset and a lease liability for all lease agreements with a term greater than 12 months. The policy was adopted retrospectively effective April 1, 2022, with the cumulative effect of initially applying the policy recognized as of the date of application. Our opinion is not modified with respect to this matter.

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 the financial statements are available to be issued.

Auditors' 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 auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards, 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

The summarized comparative information presented herein has been derived from the financial statements of Friends of Karen, Inc. as of and for the year ended March 31, 2022. These statements were audited by other auditors whose report dated June 28, 2022, expressed an unmodified opinion on those financial statements.

Grassi & Co., CPAs, P.C.

GRASSI & CO., CPAs, P.C.

New York, New York
July 5, 2023

FRIENDS OF KAREN, INC.
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2023
(WITH SUMMARIZED COMPARATIVE TOTALS AT MARCH 31, 2022)

	<u>2023</u>	(Restated) <u>2022</u>
<u>ASSETS</u>		
Cash (includes \$29,005 in 2023 and \$25,694 in 2022 of endowed cash)	\$ 773,313	\$ 769,022
Investments	4,894,125	5,159,341
Contributions and grants receivable, net	298,000	246,062
Operating lease right-of-use assets	34,677	-
Prepaid expenses and other assets	14,743	19,829
Property and equipment, net	<u>235,820</u>	<u>252,944</u>
 TOTAL ASSETS	 <u>\$ 6,250,678</u>	 <u>\$ 6,447,198</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 119,547	\$ 123,343
Refundable advance	165,153	56,849
Operating lease liabilities	<u>37,436</u>	<u>-</u>
 Total Liabilities	 <u>322,136</u>	 <u>180,192</u>
NET ASSETS:		
Without donor restrictions:		
Operating	521,596	661,235
Board designated	<u>4,894,125</u>	<u>5,159,341</u>
Total without donor restrictions	5,415,721	5,820,576
 With donor restrictions	 <u>512,821</u>	 <u>446,430</u>
 Total Net Assets	 <u>5,928,542</u>	 <u>6,267,006</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 6,250,678</u>	 <u>\$ 6,447,198</u>

The accompanying notes are an integral part of these financial statements.

FRIENDS OF KAREN, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2023
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2022)

	2023					
	Without Donor Restrictions			With Donor Restrictions	Total	(Restated) 2022
	Operating	Board Designated	Total			
OPERATING REVENUES AND OTHER SUPPORT:						
Contributions	\$ 1,569,241	\$ -	\$ 1,569,241	\$ 225,969	\$ 1,795,210	\$ 1,823,006
In-kind contributions	296,366	-	296,366	-	296,366	227,884
Grants	744,232	-	744,232	225,824	970,056	1,069,485
Special events	1,511,006	-	1,511,006	12,500	1,523,506	1,163,560
Less: direct cost of special events	(346,834)	-	(346,834)	-	(346,834)	(183,746)
Forgiveness of debt	-	-	-	-	-	399,535
Other income	19,739	-	19,739	-	19,739	17,843
Net assets released from restrictions	397,902	-	397,902	(397,902)	-	-
Total Operating Revenues and Other Support	4,191,652	-	4,191,652	66,391	4,258,043	4,517,567
OPERATING EXPENSES:						
Program services:						
Family support	1,605,655	-	1,605,655	-	1,605,655	1,479,164
Public education	427,415	-	427,415	-	427,415	402,247
Family social work	1,375,217	-	1,375,217	-	1,375,217	1,231,239
Total Program Services	3,408,287	-	3,408,287	-	3,408,287	3,112,650
Supporting services:						
Management and general	408,797	-	408,797	-	408,797	357,479
Fundraising	510,433	-	510,433	-	510,433	482,231
Total Supporting Services	919,230	-	919,230	-	919,230	839,710
Total Operating Expenses	4,327,517	-	4,327,517	-	4,327,517	3,952,360
CHANGE IN NET ASSETS FROM OPERATIONS	(135,865)	-	(135,865)	66,391	(69,474)	565,207
Gain (loss) on disposal of property and equipment	40	-	40	-	40	(1,500)
Investment return	-	(265,216)	(265,216)	-	(265,216)	64,637
CHANGE IN NET ASSETS	(135,825)	(265,216)	(401,041)	66,391	(334,650)	628,344
NET ASSETS, BEGINNING OF YEAR	661,235	5,159,341	5,820,576	446,430	6,267,006	5,638,662
Change in accounting principle - Topic 842	(3,814)	-	(3,814)	-	(3,814)	-
NET ASSETS, END OF YEAR	\$ 521,596	\$ 4,894,125	\$ 5,415,721	\$ 512,821	\$ 5,928,542	\$ 6,267,006

The accompanying notes are an integral part of these financial statements.

FRIENDS OF KAREN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2023
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2022)

	2023									
	Program Services				Supporting Services			Direct Cost of Special Events	Totals	2022 Totals
	Family Support	Public Education	Family Social Work	Total Program Services	Management and General	Fundraising	Total Supporting Services			
EXPENSES:										
Salaries	\$ 40,134	\$ 334,567	\$ 967,900	\$ 1,342,601	\$ 263,824	\$ 339,346	\$ 603,170	\$ -	\$ 1,945,771	\$ 1,788,298
Payroll taxes and employee benefits	4,126	49,652	155,796	209,574	45,922	51,776	97,698	-	307,272	260,833
Total salaries and related expenses	44,260	384,219	1,123,696	1,552,175	309,746	391,122	700,868	-	2,253,043	2,049,131
Hospital, laboratory and medical expenses	63,243	-	-	63,243	-	-	-	-	63,243	53,231
Hospital travel reimbursements	125,965	-	-	125,965	-	-	-	-	125,965	111,520
Hospital expenses-other	984	-	-	984	-	-	-	-	984	6,247
Housing and utilities	752,633	-	-	752,633	-	-	-	-	752,633	736,904
Automobile expenses	83,536	-	-	83,536	-	-	-	-	83,536	104,686
Donated materials and space	221,068	-	-	221,068	100	-	100	65,751	286,919	210,829
Donated professional services	-	-	-	-	3,647	-	3,647	5,800	9,447	15,055
Child care expense	41,925	-	-	41,925	-	-	-	-	41,925	48,127
Food and gifts	120,338	-	-	120,338	-	-	-	-	120,338	120,272
Other family and sibling expenses	55,282	-	-	55,282	-	-	-	-	55,282	23,254
Funeral and bereavement expenses	52,635	-	-	52,635	-	-	-	-	52,635	61,073
Office, postage and telephone	24,955	7,929	138,086	170,970	32,180	68,018	100,198	4,437	275,605	255,467
Rent	-	6,389	9,960	16,349	4,596	3,541	8,137	-	24,486	21,842
Staff travel	270	68	5,994	6,332	350	247	597	2,163	9,092	3,278
Insurance	-	8,220	28,928	37,148	5,571	6,468	12,039	-	49,187	49,182
Depreciation and amortization	-	6,647	27,539	34,186	5,051	8,072	13,123	-	47,309	43,624
Outreach and communications	3,196	2,635	169	6,000	-	19,553	19,553	9,704	35,257	37,275
Catering and entertainment	-	-	-	-	-	159	159	239,934	240,093	84,673
Professional fees	-	11,258	40,490	51,748	44,398	11,365	55,763	-	107,511	69,692
Seminars and trainings	-	-	355	355	339	370	709	-	1,064	3,803
Miscellaneous	15,365	50	-	15,415	2,819	1,518.00	4,337	19,045	38,797	26,941
TOTAL EXPENSES	1,605,655	427,415	1,375,217	3,408,287	408,797	510,433	919,230	346,834	4,674,351	4,136,106
Less: Direct Cost of special events	-	-	-	-	-	-	-	(346,834)	(346,834)	(183,746)
TOTAL EXPENSES REPORTED BY FUNCTION ON THE STATEMENT OF ACTIVITIES	\$ 1,605,655	\$ 427,415	\$ 1,375,217	\$ 3,408,287	\$ 408,797	\$ 510,433	\$ 919,230	\$ -	\$ 4,327,517	\$ 3,952,360

The accompanying notes are an integral part of these financial statements.

FRIENDS OF KAREN, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2023
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2022)

	<u>2023</u>	(Restated) <u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (334,650)	\$ 628,344
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	47,309	43,624
Loss on investments	364,503	38,401
(Gain) loss on disposal of property and equipment	(40)	1,500
Donated property and equipment	-	(2,000)
Donated stock	(66,896)	(95,445)
Gain on forgiveness of debt	-	(399,535)
Amortization of operating lease expense	24,369	-
(Increase) decrease in assets:		
Contributions and grants receivable	(51,938)	(141,175)
Prepaid expenses and other assets	5,086	(14,906)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(3,796)	29,796
Deferred rent	-	(6,334)
Refundable advance	108,304	(220,780)
Operating lease liabilities	<u>(25,424)</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>66,827</u>	<u>(138,510)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(30,905)	(16,738)
Proceeds from sale of property and equipment	760	-
Purchase of investments	(616,598)	(180,516)
Proceeds from sale of investments	<u>584,207</u>	<u>357,469</u>
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	<u>(62,536)</u>	<u>160,215</u>
NET CHANGE IN CASH	4,291	21,705
CASH, BEGINNING OF YEAR	<u>769,022</u>	<u>747,317</u>
CASH, END OF YEAR	<u>\$ 773,313</u>	<u>\$ 769,022</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING TRANSACTIONS:		
Forgiveness of debt	<u>\$ -</u>	<u>\$ 399,535</u>
Right-of-use assets	<u>\$ 59,046</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

FRIENDS OF KAREN, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

Note 1 - Nature of Organization

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 is highly ranked by 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 Platinum Transparency 2023 from Candid.

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 18,000 children and their families.

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

FRIENDS OF KAREN, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

Note 2 - Summary of Significant Accounting Policies

Summarized Comparative Totals

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended March 31, 2022, from which the summarized information was derived.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with U.S. GAAP.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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

Included in cash is endowed cash which represents 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.

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

Fair Value Measurement

Fair value is defined as 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. To increase the comparability of fair value measurements, a framework for measuring fair value is used which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

FRIENDS OF KAREN, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Fair Value Measurement (cont'd.)

The three levels of the fair value hierarchy under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurement*, are described as follows:

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Valuations based on unobservable inputs reflecting the Organization's own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

Refer to Note 7 for assets measured at fair value in accordance with FASB ASC Topic 820.

Investments and Net Investment Return

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 is reported in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. 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.

Allowance for Doubtful Accounts

The Organization determines whether an allowance for doubtful accounts should be provided for contributions and grants receivable. Such estimates are based on management's assessment of the aged basis of the receivables, current economic conditions and historical information. Contributions and grants receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. Interest is not charged on outstanding receivables. Bad debt expense is charged in order to adjust the allowance for doubtful accounts to the required balance determined by management based on their periodic review. At March 31, 2023, management has determined that no allowance for doubtful accounts was necessary.

FRIENDS OF KAREN, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

The Organization capitalizes all purchases of property and equipment equal to or in excess of \$1,000. Repairs and maintenance are charged to expense in the period incurred.

Depreciation of fixed assets is provided utilizing the straight-line method over the estimated useful lives of the respective assets as follows:

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

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 year ended March 31, 2023.

Refundable Advance

The Organization recognizes assets received with conditions as refundable advances until the conditions have been substantially met or explicitly waived by the donor.

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.

FRIENDS OF KAREN, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Contributions and Grants Revenue

Contributions and grants are provided to the Organization either with or without donor restrictions. 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:

Grantor	Grant Award	Earned Through March 31, 2023	Funds Still Available
The Change Reaction	\$ 300,000	\$ 155,019	\$ 144,981

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 statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

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.

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.

FRIENDS OF KAREN, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

Note 2 - Summary of Significant Accounting Policies (cont'd.)

In-kind Contributions

Contributions of nonfinancial assets are recorded at their fair values in the year received. Contribution of services are recognized if the services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donations. During the year ended March 31, 2023, the Organization recognized the following contributions of nonfinancial assets:

Nonfinancial Asset	Amount	Usage in Programs/Activities	Donor Restriction	Fair Value Techniques
Household goods	\$ 158,668	Family support, Fundraising and Management and General	None	Estimated based on retail value of identical or similar products
Gift cards	100,322	Family support	None	Estimated based on cash value of gift cards
Use of property	22,000	Family support	None	Estimated based on amount that would be charged for use of similar property
Professional services	9,447	Management and General and Fundraising	None	Estimated based on industry pricing for similar services
Other goods	<u>5,929</u>	Family support	None	Estimated based on retail value of identical or similar products
	<u>\$ 296,366</u>			

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.

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 gain (loss) on disposal of property and equipment and investment return.

Accounting for Uncertainty in Income Taxes

The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

FRIENDS OF KAREN, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Change in Accounting Principles

Adoption of ASU No. 2020-07

Effective July 1, 2021, the Organization adopted the provisions of FASB Accounting Standards Update ("ASU") No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"). The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets a nonprofit has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of enhanced disclosure.

Adoption of ASU No. 2016-02

As of April 1, 2022, the Organization adopted FASB ASU No. 2016-02, *Leases (Topic 842)* ("ASC 842"). This ASU requires all lessees to recognize a right-of-use asset for the underlying leased asset and a lease liability for the corresponding lease liability for all lease agreements with a term greater than 12 months, initially measured at the present value of the lease payments. It also requires that initial direct costs (incremental costs of a lease that would not have been incurred if the lease had not been obtained) be assessed and added to the right-of-use asset and be included in its subsequent amortization. It also calls for enhanced leasing arrangement disclosures.

In accordance with ASC 842, the modified retrospective method was applied to all lease agreements in effect at April 1, 2022. Under the modified retrospective method, the cumulative effect of applying the standard is recognized at the date of initial application. As a result of adopting ASC 842 effective April 1, 2022, the Organization recorded right-of use assets and lease liabilities of \$59,046 and \$62,860, respectively, and a \$3,814 reduction to beginning net assets.

As of April 1, 2022 (the implementation date of ASC 842), right-of-use assets and the corresponding lease liabilities were recognized based on the present value of lease payments as of the application date over the remaining life of the lease term. Thereafter, right-of-use assets and the corresponding lease liabilities will be recognized as of the lease commencement date based on the present value of lease payments over the life of the lease term. To determine the present value of lease payments, the Organization must use the rate implicit in the lease if it is readily determinable; otherwise, the Organization may use either (a) a borrowing rate based on similar debt or (b) the practical expedient option provided by ASC 842, which allows an entity to use a risk-free rate for each class of underlying asset for a period comparable to the lease term to discount the lease payments to present value. The Organization considers the lease term to be the non-cancellable period that it has the right to use the underlying asset, including all periods covered by an option to (1) extend the lease, if the Organization is reasonably certain to exercise the option, (2) terminate the lease, if the Organization is reasonably certain not to exercise that option, and (3) extend or not to terminate the lease, in which exercise of the option is controlled by the lessor. The Organization has elected to use the practical expedient provided by ASC 842 to determine the present value of its lease payments. The Organization's right-of-use assets and lease liabilities relate to property.

FRIENDS OF KAREN, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Change in Accounting Principles (cont'd.)

Adoption of ASU No. 2016-02 (cont'd.)

The Organization has also utilized the following practical expedients:

- Short-term leases – for leases that are for a period of 12 months or less, the Organization will not apply the recognition requirements of ASC 842.
- For leases that contain related non-lease components, such as maintenance, the Organization will account for these payments as a single lease component.

In addition, the Organization has utilized transitional practical expedients as follows:

- As of April 1, 2022, the Organization has not reassessed –
 - Whether any expired or existing contracts are or contain leases;
 - The lease classification for any expired or existing leases; and
 - Initial direct costs related to any expired or existing leases.

Leases are classified as either finance or operating leases. For operating leases, the lease liability is initially and subsequently measured at the present value of the future payments at the lease commencement date. For finance leases, the lease liability is initially measured in the same manner and is subsequently measured similar to financed purchases, with interest expense recorded in connection with the lease liability. The classification between operating and finance leases determines whether lease expenses are recognized based on an effective interest method or on a straight-line basis, respectively, over the term of the lease.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred and less any incentives received. Right-of-use assets under finance leases are amortized on a straight-line basis over the lease term. Right-of-use assets for operating and finance leases are periodically reduced by impairment losses.

The Organization monitors for events or changes that could require a reassessment of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment will be made to the carrying amount of the corresponding right-of-use asset unless doing so would reduce the carrying amount of the right-of-use asset to an amount less than zero.

FRIENDS OF KAREN, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

Note 2 - Summary of Significant Accounting Policies (cont'd.)

New Accounting Pronouncement

ASU No. 2016-13

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU modifies the measurement of expected credit losses on certain financial instruments and broadens the information that an entity must consider in developing its expected credit loss estimate to include such factors as current market conditions. Under current guidance, recognition of the full amount of credit losses generally is delayed until the loss is probable of occurring.

The amendments in ASU No. 2016-13 are effective for nonpublic entities for fiscal years beginning after December 15, 2022, and interim periods within that year, based on the update in ASU No. 2019-10 to defer the implementation date.

The Organization has not yet determined if this ASU will have a material effect on its financial statements.

Note 3 - Concentration of Credit Risk

The Organization maintains cash balances in several financial institutions. Such balances are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000 per institution. From time to time, the Organization's balances exceeded these limits.

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 statement of financial position.

Revenue from one special event represents 38% of total special events revenue in 2023.

Note 4 - Contributions and Grants Receivable

The Organization's contributions and grants receivable at March 31, 2023 was comprised of the following:

Less than one year	\$ 245,100
One to five years	57,500
	302,600
Less discount to present value (with discount rate of 8%)	(4,600)
	\$ 298,000

At March 31, 2023, contributions and grants receivable from three donors accounted for 59% of the total contributions and grants receivable balance.

FRIENDS OF KAREN, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

Note 5 - Grant Future Commitments

The Organization receives grant support through periodic claims filed with the respective funding sources, not to exceed a limit specific 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, 2023, have been recorded as receivables. The conditional amounts will be recognized as grant revenues when the Organization incurs qualifying expenses. The following are grant commitments that extend beyond March 31, 2023:

Grantor	Grant Award	Earned Through March 31, 2023	Funds Still Available
The Change Reaction	\$ 300,000	\$ 155,019	\$ 144,981

Note 6 - Property and Equipment

Property and equipment, net, consist of the following at March 31, 2023:

Land	\$ 1
Land improvements	47,393
Building and improvements	673,435
Computer hardware, software and website	203,768
Telephone and security system	19,616
Furniture and fixtures	48,528
	<u>992,741</u>
Less: Accumulated depreciation	<u>756,921</u>
	<u><u>\$ 235,820</u></u>

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

Depreciation expense related to property and equipment amounted to \$47,309 for the year ended March 31, 2023.

Note 7 - Fair Value Measurement

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at March 31, 2023.

Cash equivalents are valued based on cost which approximates fair value.

Mutual funds/exchange traded funds ("ETFs"), considered Level 1 investments, are held by investment managers and are valued based on quoted prices. These funds held by the Organization are deemed to be actively traded in active markets.

FRIENDS OF KAREN, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

Note 7 - Fair Value Measurement (cont'd.)

The following table presents the Organization's assets that are measured at fair value on a recurring basis at March 31, 2023:

	Total	Level 1	Level 2	Level 3
Cash equivalents	\$ 349,708	\$ 349,708	\$ -	\$ -
Mutual funds/ETFs:				
Fixed income	2,076,119	2,076,119	-	-
U.S. equities	1,741,449	1,741,449	-	-
International equities	726,849	726,849	-	-
Total investments	<u>\$ 4,894,125</u>	<u>\$ 4,894,125</u>	<u>\$ -</u>	<u>\$ -</u>

Note 8 - Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at March 31, 2023:

Family support	\$ 240,154
Sibling support	20,233
Time restricted	242,900
Capital campaign	9,534
	<u>\$ 512,821</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 \$29,005 as of March 31, 2023, and is included as part of family support.

Net assets were released from restrictions in 2023 by incurring expenses satisfying the following restricted purposes:

Family support	\$ 245,799
Sibling support	4,603
Time restricted	147,500
	<u>\$ 397,902</u>

Note 9 - 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 year ended March 31, 2023, no transfers were authorized by the Board of Directors into and out of the fund.

FRIENDS OF KAREN, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

Note 9 - Board-Designated Administrative Fund (cont'd.)

Opening balance	\$ 5,159,341
Investment return	(265,216)
Net other transfers to/from board-designated fund	-
Board approved transfers	-
Ending balance	<u><u>\$ 4,894,125</u></u>

Note 10 - Retirement Plan

The Organization sponsors a 403(b) retirement plan. Participation in the plan is voluntary and there were no employer contributions to the plan during 2023.

Note 11 - Leases

The Organization's right-of-use assets and lease liabilities primarily relate to property used for its programs.

Lease components in the Organization's leases are accounted for following the guidance in ASC 842 for the capitalization of long-term leases. At March 31, 2023, the lease liability is equal to the present value of the remaining lease payments, discounted using the U.S. Treasury rate constant maturity at each lease commencement date.

Lease activity for the year ended March 31, 2023 was as follows:

Lease cost:

Operating lease cost	<u><u>\$ 24,369</u></u>
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Other information:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	<u><u>\$ 25,424</u></u>
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Weighted average remaining lease term:

Operating leases	<u><u>1.40 years</u></u>
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Weighted average discount rate:

Operating leases	<u><u>0.40%</u></u>
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FRIENDS OF KAREN, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

Note 11 - Leases (cont'd.)

Future minimum lease payments as of March 31, 2023 are as follows:

<u>Years Ending March 31:</u>	Operating Leases
2024	\$ 26,372
2025	11,163
Total future minimum undiscounted lease payments	37,535
Less: Amount representing interest	99
Total lease liabilities	\$ 37,436

Note 12 - Available Resources and Liquidity

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of March 31, 2023, comprise the following:

Cash	\$ 773,313
Investments	4,894,125
Contribution receivable, net	298,000
Total financial assets	5,965,438
Less: Contractual or donor-imposed restrictions	
Endowed cash	(29,005)
Receivables due in more than one year	(52,900)
Three-year average of operating budget	(4,045,193)
Net assets with donor restrictions	(512,821)
Total contractual or donor-imposed restrictions	(4,639,919)
Financial assets available to meet cash needs for general expenditures within one year	 \$ 1,325,519

As of March 31, 2023, the Organization has \$1,325,519 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 93% of the assets in mutual funds/ETFs as of March 31, 2023. The Board of Directors has discretionary control to use this fund for operations. During the year ended March 31, 2023, the level of liquidity was managed within the policy requirements.

FRIENDS OF KAREN, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

Note 13 - Restatement

The Organization's net assets at March 31, 2022 have been restated to reflect the adjustments to recognize the proper value of amounts in contribution and grants receivable and refundable advance at March 31, 2022. The nature of the restatement was the result of a correction of error related to amounts not recognized in the prior year contribution and grants receivable and the result of a correction of error related to amounts recognized in the prior year refundable advance.

The impact of the restatement on contribution and grants receivable and refundable advance, and net assets at March 31, 2022 was as follows:

	Balances as previously stated at March 31, 2022	Adjustments	Balances as restated at March 31, 2022
Contributions and grants receivable, net	\$ 201,062	\$ 45,000	\$ 246,062
Refundable advance	\$ 166,849	\$ (110,000)	\$ 56,849
Net assets	\$ 6,112,006	\$ 155,000	\$ 6,267,006

Note 14 - Subsequent Events

The Organization has evaluated all events or transactions that occurred after March 31, 2023 through July 5, 2023, which is the date that the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.