

FRIENDS OF KAREN, INC.

FINANCIAL STATEMENTS

MARCH 31, 2024

**(WITH SUMMARIZED COMPARATIVE
TOTALS FOR MARCH 31, 2023)**

FRIENDS OF KAREN, INC.

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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, 2024, 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, 2024, 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.

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

We have previously audited Friends of Karen, Inc.'s 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 5, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grassi & Co., CPAs, P.C.

GRASSI & CO., CPAs, P.C.

New York, New York

July 1, 2024

FRIENDS OF KAREN, INC.
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
Cash (includes endowed cash of \$37,522 in 2024 and \$29,005 in 2023)	\$ 272,269	\$ 773,313
Investments	5,091,912	4,894,125
Contributions and grants receivable, net	106,919	298,000
Operating lease right-of-use assets	10,218	34,677
Prepaid expenses and other assets	8,382	14,743
Property and equipment, net	<u>201,478</u>	<u>235,820</u>
TOTAL ASSETS	<u><u>\$ 5,691,178</u></u>	<u><u>\$ 6,250,678</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 131,240	\$ 119,547
Refundable advance	1,870	165,153
Operating lease liabilities	<u>11,064</u>	<u>37,436</u>
Total Liabilities	<u>144,174</u>	<u>322,136</u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Without donor restrictions:		
Operating	68,003	521,596
Board designated	<u>5,091,912</u>	<u>4,894,125</u>
	5,159,915	5,415,721
Total without donor restrictions		
With donor restrictions	<u>387,089</u>	<u>512,821</u>
Total Net Assets	<u>5,547,004</u>	<u>5,928,542</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,691,178</u></u>	<u><u>\$ 6,250,678</u></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, 2024
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2023)

	2024					2023
	Without Donor Restrictions			With Donor Restrictions	Total	
	Operating	Board Designated	Total			
OPERATING REVENUES AND OTHER SUPPORT:						
Contributions	\$ 1,263,193	\$ -	\$ 1,263,193	\$ 104,760	\$ 1,367,953	\$ 1,795,210
In-kind contributions	279,637	-	279,637	-	279,637	296,366
Grants	496,168	-	496,168	268,006	764,174	970,056
Special events	1,433,137	-	1,433,137	17,358	1,450,495	1,523,506
Less: direct cost of special events	(345,882)	-	(345,882)	-	(345,882)	(346,834)
Other income	22,589	-	22,589	-	22,589	19,739
Net assets released from restrictions	515,856	-	515,856	(515,856)	-	-
Total Operating Revenues and Other Support	3,664,698	-	3,664,698	(125,732)	3,538,966	4,258,043
OPERATING EXPENSES:						
Program services:						
Family support	1,537,357	-	1,537,357	-	1,537,357	1,605,655
Public education	429,645	-	429,645	-	429,645	427,415
Family social work	1,486,257	-	1,486,257	-	1,486,257	1,375,217
Total Program Services	3,453,258	-	3,453,258	-	3,453,258	3,408,287
Supporting services:						
Management and general	488,556	-	488,556	-	488,556	408,797
Fundraising	576,264	-	576,264	-	576,264	510,433
Total Supporting Services	1,064,820	-	1,064,820	-	1,064,820	919,230
Total Operating Expenses	4,518,078	-	4,518,078	-	4,518,078	4,327,517
CHANGE IN NET ASSETS FROM OPERATIONS	(853,380)	-	(853,380)	(125,732)	(979,112)	(69,474)
Gain on disposal of property and equipment	-	-	-	-	-	40
Investment return	-	597,574	597,574	-	597,574	(265,216)
Transfer from board-designated fund	399,787	(399,787)	-	-	-	-
CHANGE IN NET ASSETS	(453,593)	197,787	(255,806)	(125,732)	(381,538)	(334,650)
NET ASSETS, BEGINNING OF YEAR	521,596	4,894,125	5,415,721	512,821	5,928,542	6,267,006
CHANGE IN ACCOUNTING PRINCIPLE - ASC 842	-	-	-	-	-	(3,814)
NET ASSETS, END OF YEAR	\$ 68,003	\$ 5,091,912	\$ 5,159,915	\$ 387,089	\$ 5,547,004	\$ 5,928,542

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

FRIENDS OF KAREN, INC.
STATEMENT FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2024
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2023)

EXPENSES:	2024									2023 Totals
	Program Services				Supporting Services			Direct Cost of Special Events	Totals	
	Family Support	Public Education	Family Social Work	Total Program Services	Management and General	Fundraising	Total Supporting Services			
Salaries	\$ 37,539	\$ 345,559	\$ 1,047,468	\$ 1,430,566	\$ 320,076	\$ 385,029	\$ 705,105	\$ -	\$ 2,135,671	\$ 1,945,771
Payroll taxes and employee benefits	2,872	48,358	177,730	228,960	55,815	63,513	119,328	-	348,288	307,272
Total salaries and related expenses	40,411	393,917	1,225,198	1,659,526	375,891	448,542	824,433	-	2,483,959	2,253,043
Hospital, laboratory and medical expenses	63,602	-	-	63,602	-	-	-	-	63,602	63,243
Hospital travel reimbursements	140,922	-	-	140,922	-	-	-	-	140,922	125,965
Hospital expenses-other	2,760	-	-	2,760	-	-	-	-	2,760	984
Housing and utilities	710,164	-	-	710,164	-	-	-	-	710,164	752,633
Automobile expenses	75,872	-	-	75,872	-	-	-	-	75,872	83,536
Donated materials and space	211,104	-	-	211,104	1,658	-	1,658	64,998	277,760	286,919
Donated professional services	-	-	-	-	1,877	-	1,877	-	1,877	9,447
Child care expense	15,677	-	-	15,677	-	-	-	-	15,677	41,925
Food and gifts	136,312	-	-	136,312	-	-	-	-	136,312	120,338
Other family and sibling expenses	45,082	-	-	45,082	-	-	-	-	45,082	55,282
Funeral and bereavement expenses	51,671	-	-	51,671	-	-	-	-	51,671	52,635
Office, postage and telephone	27,775	9,670	138,044	175,489	40,013	73,260	113,273	7,551	296,313	275,605
Rent	-	3,869	14,460	18,329	2,376	4,195	6,571	-	24,900	24,486
Staff travel	247	79	7,992	8,318	261	536	797	1,985	11,100	9,092
Insurance	-	6,258	35,286	41,544	4,113	6,447	10,560	-	52,104	49,187
Depreciation	-	6,416	26,578	32,994	5,040	7,790	12,830	-	45,824	47,309
Outreach and communications	2,697	372	-	3,069	-	23,829	23,829	3,637	30,534	35,257
Catering and entertainment	-	-	-	-	-	-	-	259,067	259,067	240,093
Professional fees	-	9,064	37,080	46,144	54,369	10,482	64,851	-	110,995	107,511
Seminars and trainings	-	-	804	804	124	-	124	-	928	1,064
Miscellaneous	13,061	-	815	13,876	2,834	1,183	4,017	8,644	26,537	38,797
Total Expenses	1,537,357	429,645	1,486,257	3,453,258	488,556	576,264	1,064,820	345,882	4,863,960	4,674,351
Less: Direct Cost of special events	-	-	-	-	-	-	-	(345,882)	(345,882)	(346,834)
TOTAL EXPENSES REPORTED BY FUNCTION ON THE STATEMENT OF ACTIVITIES	\$ 1,537,357	\$ 429,645	\$ 1,486,257	\$ 3,453,258	\$ 488,556	\$ 576,264	\$ 1,064,820	\$ -	\$ 4,518,078	\$ 4,327,517

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

FRIENDS OF KAREN, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (381,538)	\$ (334,650)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	45,824	47,309
(Gain) loss on investments	(492,593)	364,503
Gain on disposal of property and equipment	-	(40)
Donated stock	(54,115)	(66,896)
Amortization of operating lease expense	24,459	24,369
(Increase) decrease in assets:		
Contributions and grants receivable	191,081	(51,938)
Prepaid expenses and other assets	6,361	5,086
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	11,693	(3,796)
Refundable advance	(163,283)	108,304
Operating lease liabilities	<u>(26,372)</u>	<u>(25,424)</u>
Net Cash (Used In) Provided By Operating Activities	<u>(838,483)</u>	<u>66,827</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(11,482)	(30,905)
Proceeds from sale of property and equipment	-	760
Purchase of investments	(874,716)	(616,598)
Proceeds from sale of investments	<u>1,223,637</u>	<u>584,207</u>
Net Cash Provided By (Used In) Investing Activities	<u>337,439</u>	<u>(62,536)</u>
NET CHANGE IN CASH	(501,044)	4,291
CASH, BEGINNING OF YEAR	<u>773,313</u>	<u>769,022</u>
CASH, END OF YEAR	<u>\$ 272,269</u>	<u>\$ 773,313</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:		
Right-of-use assets	<u>\$ -</u>	<u>\$ 59,046</u>

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

FRIENDS OF KAREN, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024

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.

Friends of Karen has earned a 4-star (highest) rating from Charity Navigator, has a 2024 Platinum Transparency seal from Candid, meets the 20 accountability standards as an Accredited Charity from the Better Business Bureau, and has a Top-Rated nonprofit endorsement from Great Nonprofits.

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, 2024

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, 2023, 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 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

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, 2024

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, 2024, management has determined that no allowance for doubtful accounts was necessary.

FRIENDS OF KAREN, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024

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, 2024.

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.

Leases

The Organization applies a two-model approach to all leases in which they are a lessee and classifies leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the Organization. Lease classification is evaluated at the inception of the lease agreement. Regardless of classification, the Organization records a right-of-use asset and a lease liability for all leases with a term greater than 12 months. In order to calculate the lease liability, certain assumptions related to lease terms and discount rates are made. Renewal options are evaluated in the determination of lease terms. When available, the Organization uses the rate implicit in the lease or a borrowing rate based on similar debt to discount lease payments. However, when a lease does not provide a readily determinable implicit rate, and the Organization's existing debt does not have similar terms, the Organization uses the U.S. Treasury rate constant maturity at each lease commencement date to discount lease payments.

FRIENDS OF KAREN, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024

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

Leases (cont'd.)

At March 31, 2024, the Organization applied a discount rate of .40%.

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.

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 and grant is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restrictions</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.e., the donor-imposed barrier is met
<i>Unconditional gifts, with or without restrictions</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

FRIENDS OF KAREN, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024

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

Contributions and Grants Revenue (cont'd.)

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.

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, 2024, the Organization recognized the following contributions of nonfinancial assets:

Nonfinancial Asset	Amount	Usage in Programs/Activities	Donor Restriction	Fair Value Techniques
Household goods	\$ 176,610	Family support, Fundraising and Management and General	None	Estimated based on retail value of identical or similar products
Gift cards	91,270	Family support	None	Estimated based on cash value of gift cards
Professional services	1,877	Management and General and Fundraising	None	Estimated based on industry pricing for similar services
Other goods	9,880	Family support	None	Estimated based on retail value of identical or similar products
	<u>\$ 279,637</u>			

FRIENDS OF KAREN, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024

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

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. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax elimination prior to 2021.

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 41% of total special events revenue in 2024.

FRIENDS OF KAREN, INC.
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Note 4 - Contributions and Grants Receivable

The Organization's contributions and grants receivable at March 31, 2024 was comprised of the following:

	With Donor Restrictions
Less than one year	\$ 79,319
One to five years	30,000
	109,319
Less discount to present value (with discount rate of 8%)	(2,400)
	\$ 106,919

At March 31, 2024, contributions and grants receivable from three donors accounted for 71% of the total contributions and grants receivable balance.

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, 2024, have been recorded as receivables. The conditional amounts will be recognized as grant revenues when the Organization incurs qualifying expenses. There are no grant commitments that extend beyond March 31, 2024.

Grantor	Grant Award	Earned Through March 31, 2024	Funds Still Available
The Change Reaction	\$ 300,000	\$ 300,000	\$ -

Note 6 - Property and Equipment

Property and equipment, net, consist of the following at March 31, 2024:

Land	\$ 1
Land improvements	47,393
Building and improvements	672,235
Computer hardware, software and website	229,539
Telephone and security system	18,386
Furniture and fixtures	29,565
	997,119
Less: Accumulated depreciation	795,641
	\$ 201,478

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Note 6 - Property and Equipment (cont'd.)

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 \$45,825 for the year ended March 31, 2024.

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, 2024.

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

Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Exchange Traded Funds ("ETFs") are valued at the closing price reported on the active market on which the funds are traded.

The following table presents the Organization's assets that are measured at fair value on a recurring basis at March 31, 2024:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash equivalents	\$ 188,629	\$ 188,629	\$ -	\$ -
Mutual funds/ETFs:				
Fixed income	2,113,995	2,113,995	-	-
U.S. equities	1,997,027	1,997,027	-	-
International equities	792,261	792,261	-	-
Total investments	<u>\$ 5,091,912</u>	<u>\$ 5,091,912</u>	<u>\$ -</u>	<u>\$ -</u>

FRIENDS OF KAREN, INC.
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Note 8 - Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at March 31, 2024:

Family support	\$ 288,773
Sibling support	46,082
Time restricted	42,700
Capital campaign	<u>9,534</u>
	<u>\$ 387,089</u>

Net assets include original donations of \$18,000 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 \$37,522 as of March 31, 2024, and is included as part of family support.

Net assets were released from restrictions in 2024 by incurring expenses satisfying the following restricted purposes:

Family support	\$ 262,925
Sibling support	35,131
Time restricted	<u>217,800</u>
	<u>\$ 515,856</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 investment income and/or losses increase or decrease the value of the fund. Transfers will be made to the operating fund 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, 2024, approximately \$399,000 of transfers were authorized by the Board of Directors into and out of the fund.

Opening balance	\$ 4,894,125
Investment return	597,574
Transfers to operating fund	<u>(399,787)</u>
Ending balance	<u>\$ 5,091,912</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 2024.

FRIENDS OF KAREN, INC.
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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, 2024, 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, 2024 was as follows:

Lease cost:	
Operating lease cost	\$ <u>24,459</u>
Other information:	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ <u>26,372</u>
Weighted average remaining lease term:	
Operating leases	<u>.42 year</u>
Weighted average discount rate:	
Operating leases	<u>0.40%</u>

Future minimum undiscounted lease payments as of March 31, 2024 less amount representing interest are as follows:

	Operating Leases
<u>Year Ending March 31:</u>	
2025	\$ 11,163
Less: Amount representing interest	<u>99</u>
Total lease liabilities	<u>\$ 11,064</u>

FRIENDS OF KAREN, INC.
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Note 12 - Commitments and Contingencies

The Small Business Administration (“SBA”) may undertake a review of a Paycheck Protection Program (“PPP”) loan of any size greater than \$150,000 during the six-year period following forgiveness or repayment of the loan. If selected, the review would include the loan forgiveness application, as well as whether the Organization met the eligibility requirements of the PPP and received the proper loan amount. In May 2020, the Organization received a PPP loan in the amount of \$399,535 and received full forgiveness of the PPP loan in June 2021. The Organization is subject to an SBA review until June 2027. Whether the Organization will be selected for an SBA review as well as the timing and outcome is not yet known.

Note 13 - 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, 2024, comprise the following:

Cash	\$	272,269
Investments		5,091,912
Contributions and grants receivable, net		106,919
Total financial assets		5,471,100
Less: Contractual or donor-imposed restrictions		
Endowed cash		(37,522)
Receivables due in more than one year		(27,600)
Three-year average of operating budget		(4,207,976)
Net assets with donor restrictions		(387,089)
Total contractual or donor-imposed restrictions		(4,660,187)
Financial assets available to meet cash needs for general expenditures within one year	\$	810,913

As of March 31, 2024, the Organization has \$810,913 of financial 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 96% of the assets in mutual funds/ETFs and 4% are in cash and cash equivalents as of March 31, 2024. The Board of Directors has discretionary control to use this fund for operations. During the year ended March 31, 2024, the level of liquidity was managed within the policy requirements.

FRIENDS OF KAREN, INC.
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Note 14 - Subsequent Events

The Organization has evaluated all events or transactions that occurred after March 31, 2024 through July 1, 2024, which is the date that the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.