

# FAMILY REACH FOUNDATION FINANCIAL STATEMENTS

**December 31, 2012** 



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### FRIZZELL, KAFAFIAN, DE VRIES & COMPANY, LLC

ACCOUNTANTS, AUDITORS AND CONSULTANTS

#### INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of Family Reach Foundation

We have audited the accompanying financial statements of Family Reach Foundation (a nonprofit organization) which comprise the statement of financial position as of December 31, 2012 and 2011 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

**Opinion** 

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Reach Foundation as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter** 

This report is being reissued and is replacing the report dated May 20, 2013 to correct the Statement of Activities and Statement of Functional Expenses. The previously issued auditors' report dated May 20, 2013 is not to be relied on because the financial statements were materially misstated, and the previously issued auditors' report is replaced by this report on the restated financial statements. Note 7 of the Notes to Financial Statement discusses the expense allocation. Our opinion is not modified with respect to the matter emphasized.

Frinziel, Kafafjar, Delries & Company, LLC

Newton, New Jersey October 15, 2013

#### STATEMENT OF FINANCIAL POSITION December 31, 2012 and 2011

#### **ASSETS**

	2012	2011
CURRENT ASSETS:	Ф 210 (22	<b># 2</b> 60,000
Cash and cash equivalents	\$ 310,632	\$ 260,000
Unconditional promises to give	75,000 6,295	10,000 4,503
Prepaid expenses Security Deposit	2,717	1,670
Donated Inventory	94,040	106,540
Bollated Inventory		100,510
Total Current Assets	\$ <u>488,684</u>	\$ 382,713
Furniture and Equipment	5,087	2,089
Less: accumulated depreciation	1,912	996
	3,175	1,093
Total Assets	\$ <u>491,859</u>	\$ 383,806
LIABILITIES AN	ID NET ASSETS	
CURRENT LIABILITIES:		
Accounts payable	\$ 16,917	\$ 33,030
Payroll taxes payable	100	
Total Current Liabilities/Total Liabilities	\$ _17,017	\$ _33,030
NET ASSETS:		
Unrestricted Net Assets:		
Operating	\$ 374,842	\$ <u>250,776</u>
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Total Unrestricted Net Assets	\$ <u>374,842</u>	\$ <u>250,776</u>
Temporarily Restricted Net Assets	\$ <u>100,000</u>	\$ 100,000
Total Net Assets	\$ <u>474,842</u>	\$ 350,776
Total Liabilities and Net Assets	\$ <u>491,859</u>	\$ <u>383,806</u>

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

## FAMILY REACH FOUNDATION STATEMENT OF ACTIVITIES

For the Years Ended December 31, 2012 and 2011

	2012	2011
PUBLIC SUPPORT AND REVENUE: Grants Fundraising Events Contributions In-Kind Service Donations Interest Total Public Support and Revenue  DIRECT EVENT EXPENSE	\$ 283,921 502,586 542,497 18,330 	\$ 156,768 500,858 313,732 29,580 264 \$ 1,001,202
Total Net Revenue	\$ <u>1,160,629</u>	\$ <u>859,537</u>
EXPENSES:		
Program: Family Financial Assistance Program Support Total Program	\$ 581,639	\$ 414,896
Other: General and Administrative Fundraising Total Other  Total Expenses	\$ 110,472	\$ 70,364
Changes in Net Assets	\$ 124,066	\$ 123,865
Net Assets as of Beginning of Year	350,776	226,911
Net Assets as of End of Year	\$ 474,842	\$ 350,776

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

## FAMILY REACH FOUNDATION STATEMENT OF CASH FLOWS

Years Ended December 31, 2012 and 2011

		2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$	124,066	\$ 123,865
Adjustments to reconcile change in net			
assets to net cash provided by operating activities:			
Depreciation		916	418
(Increase) Decrease in security deposits	(	1,047)	-
Decrease (Increase) in donated inventory		12,500	(106,540)
(Increase) in unconditional promises to give	(	65,000)	(2,050)
(Increase) in prepaid expenses	(	1,792)	(1,062)
(Decrease) Increase in accounts payable	(	16,113)	14,716
Increase in payroll taxes payable	_	100	-
Net Cash Provided by Operating Activities	\$	53,630	\$ _29,347
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of furniture and equipment	\$(_	2,998)	\$
Net Cash (Used by) Investing Activities	\$(_	2,998)	\$
	\$	50,632	\$ 29,347
Cash and Cash Equivalents - Beginning of Year	_	260,000	230,653
Cash and Cash Equivalents - End of Year	\$ _	310,632	\$ <u>260,000</u>

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

### FAMILY REACH FOUNDATION STATEMENT OF FUNCTIONAL EXPENSES December 31, 2012

	Program Support	General and Administrative	Fundraising	Total
Salaries & Related				
Expenses	\$ 109,445	\$ 57,055	\$ 48,706	\$ 215,206
Development	4,968	785	10,593	16,346
Project Management	13,436	3,042	17,112	33,590
Marketing & Design	14,580	1,673	18,235	34,488
Professional Fees	14,463	-0-	14,463	28,926
In-Kind Expenses	9,165	-0-	9,165	18,330
Advertising	300	-0-	1,004	1,304
Telephone	803	764	442	2,009
Website	3,433	-0-	5,149	8,582
Office Expense	2,446	19,126	2,464	24,036
Travel-Meeting		•		•
Expense	15,631	4,420	15,532	35,583
Occupancy	4,518	13,672	4,518	22,708
Equipment Rental &				,
Maintenance	-0-	408	-0-	408
Depreciation	-0-	916	-0-	916
Insurance	-0-	4,935	-0-	4,935
Organizational				
Expenses	-0-	1,159	-0-	1,159
Miscellaneous	1,932	2,517	1,949	6,398
Total Expenses	\$ <u>195,120</u>	\$ <u>110,472</u>	\$ <u>149,332</u>	\$ <u>454,924</u>

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

### STATEMENT OF FUNCTIONAL EXPENSES December 31, 2011

		Program Support	General and Administrative	Fundraising	Total
7	Salaries & Related				
	Expenses	\$ 21,431	\$ 31,010	\$ 6,533	\$ 58,974
	Development	20,378	5,171	51,251	76,800
	Project Management	7,678	3,138	9,084	19,900
	Marketing & Design	1,861	-0-	2,792	4,653
	Professional Fees	13,523	-0-	13,523	27,046
	In-Kind Expenses	14,790	-0-	14,790	29,580
	Event Management	2,260	-0-	2,290	4,550
	Advertising	50	-0-	50	100
	Telephone	569	529	323	1,421
	Website	5,674	-0-	8,510	14,184
	Office Expense	8,860	2,752	12,048	23,660
	Travel-Meeting		•		
	Expense	10,999	4,287	13,262	28,548
	Occupancy	2,989	8,969	2,990	14,948
	Equipment Rental &			•	
	Maintenance	115	209	173	497
_	Depreciation	-0-	418	-0-	418
	Insurance	-0-	3,396	253	3,649
	Organizational				
-	Expenses	128	755	1,192	2,075
	Miscellaneous	31	9,730	12	9,773
_					
	Total Expenses	\$ <u>111,336</u>	\$70,364	\$ <u>139,076</u>	\$ <u>320,776</u>

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

#### NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

<u>Nature of Activities</u> - Family Reach Foundation (the Foundation) is an Organization that provides financial relief and heartfelt support to families fighting cancer.

The Foundation incorporated April 7, 2003 in the State of Delaware and is a non-profit Organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income tax. The Foundation is also registered in the State of New Jersey.

- <u>Promises to Give</u> Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.
- <u>Basis of Accounting</u> The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

The Foundation relies on its network of hospital and social workers to identify families in need. The review committee communicates with the contacts at hospitals to ensure the mission is fulfilled.

- <u>Donated Inventory</u> The Foundation's inventory is valued at the lower of cost (first in, first out) or market, using the retail method
- <u>Furniture and Equipment</u> Furniture and equipment is carried at cost. The Organization's practice is to capitalize all expenditures for furniture and equipment in excess of \$2,000. Depreciation is computed using the straight-line method.
- <u>Public Support and Revenue</u> Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.
- <u>Use of Estimates</u> The preparation of financial statements in conformity with generally accepted accounting principles requires the use of managements' estimates.
- <u>Contributed Services</u> The Foundation receives a substantial amount of both professional and non-professional in-kind services donated by volunteers in carrying out the Foundation's goals. The value of professional services donated by volunteers is reflected in these financial statements as in-kind donations.

Additionally, the Foundation is in partnership with over twenty (20) hospitals and their social worker teams in order to perform its' core mission of identifying the needs of families and patients to provide them with financial and other support. The value of the portion of donated non professional services and social worker team assistance is not reflected in these financial statements. It is the opinion of management that, if the donated time and expenses were allocated and captured as part of the Organization's program expenses, the effective program ratio would be materially higher.

## NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- <u>Income Taxes</u> The Foundation is exempt from Federal and State income taxes under Internal Revenue Code Section 501(c)(3), as stated in a letter dated November 6, 2008 from the Internal Revenue Service.
- <u>Reclassification</u> Certain amounts in the prior year financial statements have been reclassified to conform to current year presentation.
- Concentration of Credit Risk The Foundation maintains its cash balance in one financial institution. The Federal Deposit Insurance Corporation insures cash balances up to \$250,000 at any one institution. Cash balances in excess of the FDIC limits at December 31, 2012 and 2011 amounted to -0-.
- <u>Date of Management's Evaluation of Subsequent Events</u> Management has evaluated events through October 15, 2013, the date on which the financial statements were available to be issued.
- <u>Advertising</u> The Foundation expenses advertising cost as they are incurred. Total advertising costs for the years 2012 and 2011 were \$1,304 and \$100 respectively.

#### NOTE 2 - TEMPORARILY RESTRICTED NET ASSETS:

Manton B. Metcalf Memorial Association dissolved, and upon doing so, donated \$100,000 to the Foundation. The Board has elected to adopt restriction on this amount to secure income from this donation. The specific guidelines dictate that only 10% of the Temporarily Restricted Contribution can be used to support the operating expenditure needs. Requests for funds beyond the 10% will require a special majority vote of the Board.

#### NOTE 3 – UNCONDITIONAL PROMISES TO GIVE:

Unconditional promises to give at December 31, 2012 and 2011 totaled \$ 75,000 for 2012 and \$ 10,000 for 2011 and is considered a receivable to be collected in less than one year.

#### NOTE 4 – PROPERTY AND EQUIPMENT:

Property and equipment, together with accumulated depreciation and estimated useful lives consist of the following:

		2012		2011	
Furniture and fixtures	\$	5,087	\$	2,089	
Less: accumulated depreciation	(_	1,912)	(_	996)	
	\$	3.175	\$	1.093	

Depreciation expense for the years ended December 31, 2012 and 2011 was \$ 916 and \$ 418 respectively.

#### NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

#### NOTE 5 – COMMITMENTS AND CONTINGENCIES:

Operating Lease - The Foundation entered into a lease for its Parsippany office. The lease commenced on July 1, 2009 and is renewable on a yearly basis. The estimated minimum non-cancelable base rentals on an annual basis are as follows:

2012	\$	14,436
2013		14,436
2014		14,436
2015		14,436
2016		14,436

Operating Lease - The Foundation entered into a lease for its Boston office. The lease commenced on February 1, 2012 for a three (3) year term. The estimated minimum non-cancelable base rentals on an annual basis are as follows:

2012	\$	4,711
2013		6,564
2014		7,008

#### NOTE 6 – INVENTORY DONATION:

The Foundation received 6,240 pillow pets during the year ended December 31, 2011, to be distributed or sold at various charitable events. As of December 31, 2012, 5,740 are left.

#### NOTE 7 – RESTATEMENT OF FINANCIAL STATEMENTS:

Subsequent to the issuance of these financial statements, the Foundation discovered an error in the reporting of its expense allocation on the Statement of Activities, and the Statement of Functional Expenses. Accordingly, the Foundation has restated its results for the years ended December 31, 2012 and 2011.

The effect of the restatement on the change in net assets and financial position for the years ending December 31, 2012 and 2011 was \$-0-.

#### NOTES TO FINANCIAL STATEMENTS December 31, 2012 and 2011

#### NOTE 7 – RESTATEMENT OF FINANCIAL STATEMENTS (CONTINUED):

The expense allocations for the year ended December 31, 2012 were restated as follows:

	As Previously Reported	Restated
Expenses:		
Program:		
Family Financial Assistance	\$ 581,739	\$ 581,639
Program Support	108,089	_195,120
Total Program	689,828	776,759
Other:		
General and Administrative	183,176	110,472
Fundraising	_163,559	149,332
Total Other	346,735	259,804
TOTAL EXPENSE	\$ <u>1,036,563</u>	\$ <u>1,036,563</u>

The expense allocations for the year ended December 31, 2011 were restated as follows:

	As Previously Reported	Restated
Expenses:	•	
Program:		
Family Financial Assistance	\$ 414,896	\$ 414,896
Program Support	62,615	111,336
Total Program	477,511	526,232
Other:		
General and Administrative	124,588	70,364
Fundraising	133,573	139,076
Total Other	258,161	209,440
TOTAL EXPENSE	\$ <u>735,672</u>	\$ <u>735,672</u>