

FAMILY REACH FOUNDATION

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

DECEMBER 31, 2013

FAMILY REACH FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To: The Board of Directors 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, 2013, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Reach Foundation as of December 31, 2013, 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.

New York, NY
June 27, 2014

Skody Scot & Company, CPAs, P.C.

**FAMILY REACH FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013**

ASSETS

Cash	\$ 348,991
Contributions receivable	7,351
Inventory	53,288
Prepaid expenses	1,733
Property and equipment, net	4,715
Security deposits	2,717
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Total assets	\$ 418,795

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	\$ 25,691
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Total liabilities	25,691

Commitments and contingencies (see notes)

Net Assets:

Unrestricted	293,104
Temporarily restricted	100,000
Permanently restricted	-
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Total net assets	393,104
	<hr/>
Total liabilities and net assets	\$ 418,795

See accompanying notes to financial statements.

**FAMILY REACH FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013**

Support and Revenues:

Unrestricted:

Grants and contributions	\$ 1,053,663
Contributions in-kind	90,629
Special events:	
Event revenues	668,705
Less: related direct costs	(249,935)
Net special event income	<u>418,770</u>
Interest income	<u>108</u>
Total support and revenues	<u>1,563,170</u>

Expenses:

Program Expenses:

Family relief and support	1,304,047
Total program expenses	<u>1,304,047</u>
Management and general	167,502
Fundraising	<u>173,359</u>
Total expenses	<u>1,644,908</u>

Increase/(Decrease) In Net Assets:

Unrestricted	(81,738)
Temporarily restricted	-
Permanently restricted	-
Increase/(decrease) in net assets	<u>(81,738)</u>

Net assets, beginning of year	<u>474,842</u>
Net assets, end of year	<u>\$ 393,104</u>

See accompanying notes to financial statements.

**FAMILY REACH FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013**

Cash flows from operating activities:	
Increase/(decrease) in net assets	\$ (81,738)
Adjustments for non-cash items included in operating activities:	
Depreciation	3,195
Changes in assets and liabilities:	
Accounts payable and accrued expenses	8,674
Contributions receivable	67,649
Inventory	46,807
Prepaid expenses	(1,493)
Net cash provided/(used) by operating activities	<u>43,094</u>
Cash flows from investing activities:	
Purchase of property and equipment	<u>(4,735)</u>
Net cash provided/(used) by investing activities	(4,735)
Cash flows from financing activities	<u>-</u>
Net increase/(decrease) in cash	38,359
Cash, at beginning of year	<u>310,632</u>
Cash, at end of year	<u><u>\$ 348,991</u></u>

See accompanying notes to financial statements.

**FAMILY REACH FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2013**

	<u>Program</u>	<u>Supporting Services</u>		
	Family Relief and Support	Management and General	Fundraising	Total Expenses
Personnel costs:				
Salaries	\$ 163,600	\$ 69,665	\$ 75,995	\$ 309,260
Payroll taxes	16,602	7,530	7,498	31,630
Total personnel costs	<u>180,202</u>	<u>77,195</u>	<u>83,493</u>	<u>340,890</u>
Direct expenses:				
Advertising and promotion	411	-	487	898
Assistance - direct to families	261,677	-	-	261,677
Assistance - grants to organizations	719,394	-	60	719,454
Bank charges & processing fees	-	13,716	9,617	23,333
Consultants and contractors	27,284	889	27,985	56,158
Depreciation	93	3,102	-	3,195
Insurance	-	4,115	-	4,115
Meals and entertainment	4,697	1,766	4,544	11,007
Office supplies and expenses	2,691	5,413	1,990	10,094
Postage and delivery	666	846	981	2,493
Printing and copying	2,286	1,725	2,612	6,623
Professional fees	32,872	33,227	10,146	76,245
Program expenses - other	2,233	-	2,423	4,656
Rent and utilities	5,511	17,749	5,494	28,754
Repairs and maintenance	25	525	67	617
Telephone and communications	701	1,006	350	2,057
Travel and meetings	19,191	6,123	19,594	44,908
Website hosting and development	44,113	105	3,516	47,734
Total direct expenses	<u>1,123,845</u>	<u>90,307</u>	<u>89,866</u>	<u>1,304,018</u>
Total expenses	<u>\$ 1,304,047</u>	<u>\$ 167,502</u>	<u>\$ 173,359</u>	<u>\$ 1,644,908</u>

See accompanying notes to financial statements.

**FAMILY REACH FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies

The Organization

Family Reach Foundation (Organization), a not-for-profit organization, was incorporated in the State of Delaware on April 7, 2003. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal, state or local income taxes has been recorded. The Organization does not believe its financial statements contain any uncertain tax positions. The Organization primarily receives its support from contributions from foundations, corporations, individuals and from fundraising events.

Since 2003, the Organization's mission has been to help families with a child or parent afflicted with cancer deal with the overwhelming financial and emotional burdens of the disease. As families try to cope with years of cancer treatment, out-of-pocket medical expenses and everyday living costs, they often reach critical breaking points. Not only do they risk losing their homes, stability and hope, but also their ability to ensure their loved-ones receive the vital care they need to survive. To accomplish its mission, the Organization provides its Family Relief and Support program. Through an effective process developed through years of close collaboration with hospital social workers, the Family Relief and Support program provides urgent assistance to families in a timely, compassionate fashion. Grants are provided directly to vendors, typically ranging from \$500 to \$2,000, and covering mortgage or rent payments, transportation expenses, utility costs, uncovered medical bills and other everyday expenses to keep families afloat through their battles with cancer.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

In accordance with GAAP the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**FAMILY REACH FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For the purposes of the statement of financial position and the statement of cash flows, the Organization considers as cash equivalents money market funds and all highly liquid resources, such as investments in certificates of deposit, with an original maturity of three months or less. At December 31, 2013, the Organization did not have any resources that were considered cash equivalents.

Property and Equipment

The Organization capitalizes certain property and equipment with estimated lives of three years or more. Property and equipment are stated at cost, less accumulated depreciation. Depreciation of equipment is computed by the straight-line method over estimated useful lives ranging from three to five years. Expenditures for repairs and maintenance are expensed as incurred and major renewals and betterments are capitalized.

Revenue Recognition

Contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increases in the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. When a restriction expires (either a stipulated time period ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization allocates salaries based on estimated time and other expenses are allocated based on usage. The Organization classifies expenses, which are not directly related to a specific program, as Management and General expenses.

Advertising Costs

Direct advertising costs are charged to operations when incurred and are included in operating expenses. Direct advertising and promotion expense for the year ended December 31, 2013 was \$898.

**FAMILY REACH FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies (Continued)

Receivables

Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Receivables that are expected to be collected within one year are recorded at their net realizable value. Receivables that are expected to be collected in future years are recorded at the present value of estimated future cash flows. All receivables are expected to be received within one year and as such have been stated at their net realizable value with no allowance for uncollectable contributions.

Inventory

Inventory consists of pillow pets and gift cards that are to be given to children and families who are affected by cancer. Inventory is stored at an independent warehouse and is stated at the lower of cost or market and is determined using a periodic inventory method.

Note 2 - Property and Equipment

Property and equipment by major class consisted of the following at December 31, 2013:

Equipment	9,822
Less: Accumulated depreciation	(5,107)
	<u>\$ 4,715</u>

Note 3 - Restrictions on Net Assets

Temporarily restricted net assets consisted of a \$100,000 reserve account. The reserve account was established in 2006 in accordance with a donor's restriction. The donor set specific guidelines for the reserve fund which the Organization's Board of Directors agreed to in a resolution which was passed in September 2006. The guidelines allow management of the Organization to access 10% of the reserve account annually, to support the operating expenditures needs of the Organization only after gaining approval through a majority vote of the Board of Directors at a scheduled Board meeting. Requests for funds beyond the 10% will require a special vote of the Board of Directors at a scheduled Board meeting. As of December 31, 2013, the reserve fund has not been used and the balance is remains at \$100,000.

FAMILY REACH FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Note 4 - Donated Services

Significant services were donated to the Organization by various organizations and meet the criteria for being recognized as contributions in accordance with GAAP. Amounts are recorded at their estimated fair market values at the date of donation using published rates and prices.

Total contributions in-kind reported on the accompanying statement of activities for the year ended December 31, 2013 amounted to \$90,629. Contributions in-kind mainly consisted of donated legal services and website development.

In addition, volunteer time which did not meet the criteria for being recognized as contributions in accordance with GAAP was donated to the Organization. Due to the lack of objective criteria, management did not estimate the total value of these services for the year ended December 31, 2013.

Note 5 - Related Parties

The Organization paid salary and program management fees to the brother of the President of the Organization's Board of Directors. For the year ended December 31, 2013, the total salary and consulting fees paid to the related party amounted to \$40,374.

Note 6 - Commitments and Contingencies

The Organization maintains its bank accounts with financial institutions. Institutional balances do not include transactions which are outstanding and have not cleared their accounts. Balances that exceed the Federal Deposit Insurance Corporation insurance coverage are summarized for the year ended December 31, 2013, as follows:

Institution balances	\$ 367,354
Less: Amounts covered	(<u>250,000</u>)
Uninsured amounts	\$ <u><u>117,354</u></u>

The Organization leases space under two noncancellable operating leases. As of December 31, 2013, minimum aggregate annual rentals are as follows:

Year ended December 31, 2014	\$ 22,043
2015	3,120

Total rent and utilities expenses charged to operations for the year ended December 31, 2013, was \$28,754.

**FAMILY REACH FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

Note 7 - Fundraising Expenses

The Organization conducted activities that included direct solicitations for sponsorships (fundraising). The costs of personnel conducting those sponsorship activities included fundraising, administrative and program expenses (collectively defined as joint costs). The total amount allocated to fundraising activities was \$83,493 for 2013. The total joint costs were allocated for the year ended December 31, 2013 as follows:

Program expenses	\$144,794
Management and general	77,195
Fundraising	<u>83,493</u>
Total joint costs	<u>\$305,482</u>

The total amount of direct and joint (allocated) costs related to solicitation activities (fundraising) was \$173,359 for the year ended December 31, 2013.

Note 8 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures through June 27, 2014, which is the date the financial statements were available to be issued.