

**FAMILY REACH FOUNDATION**

**FINANCIAL STATEMENTS  
AND  
AUDITORS' REPORT**

**DECEMBER 31, 2014 AND 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 statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, cash flows, and functional expenses 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 audits. We conducted our audits 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, 2014 and 2013, 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.

New York, NY  
June 26, 2015

*Skody Scot & Company, CPAs, P.C.*

**FAMILY REACH FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash	\$ 529,433	\$ 348,991
Contributions receivable	175,584	7,351
Inventory	57,461	53,288
Prepaid expenses	-	1,733
Partner advances	80,261	122,652
Property and equipment, net	4,235	4,715
Security deposits	2,717	2,717
Total assets	<u>\$ 849,691</u>	<u>\$ 541,447</u>

**LIABILITIES AND NET ASSETS**

Liabilities:		
Accounts payable and accrued expenses	\$ 27,515	\$ 25,691
Total liabilities	<u>27,515</u>	<u>25,691</u>
Commitments and contingencies (see notes)		
Net Assets:		
Unrestricted	624,676	415,756
Temporarily restricted	197,500	100,000
Permanently restricted	-	-
Total net assets	<u>822,176</u>	<u>515,756</u>
Total liabilities and net assets	<u>\$ 849,691</u>	<u>\$ 541,447</u>

**See accompanying notes to financial statements.**

**FAMILY REACH FOUNDATION  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>Support and Revenues:</b>		
Unrestricted:		
Grants and contributions	\$ 1,654,794	\$ 1,053,663
Contributions in-kind	492,352	90,629
Special events:		
Event revenues	966,589	668,705
Less: related direct costs	(237,447)	(249,935)
Net special event income	<u>729,142</u>	<u>418,770</u>
Other income	208	-
Interest income	101	108
Temporarily restricted:		
Grants and contributions	<u>97,500</u>	<u>-</u>
Total support and revenues	<u>2,974,097</u>	<u>1,563,170</u>
<b>Expenses:</b>		
Program Expenses:		
Family relief and support	<u>2,150,100</u>	<u>1,181,395</u>
Total program expenses	<u>2,150,100</u>	<u>1,181,395</u>
Management and general	267,303	167,502
Fundraising	<u>250,274</u>	<u>173,359</u>
Total expenses	<u>2,667,677</u>	<u>1,522,256</u>
Increase/(Decrease) In Net Assets:		
Unrestricted	208,920	40,914
Temporarily restricted	97,500	-
Permanently restricted	-	-
Increase/(decrease) in net assets	<u>306,420</u>	<u>40,914</u>
Net assets, beginning of year - restated	<u>515,756</u>	<u>474,842</u>
Net assets, end of year	<u><u>\$ 822,176</u></u>	<u><u>\$ 515,756</u></u>

**See accompanying notes to financial statements.**

**FAMILY REACH FOUNDATION  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u><b>2014</b></u>	<u><b>2013</b></u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 306,420	\$ 40,914
Adjustments for non-cash items included in operating activities:		
Depreciation	3,476	3,195
Changes in assets and liabilities:		
Accounts payable and accrued expenses	1,824	8,674
Contributions receivable	(168,233)	67,649
Inventory	(4,173)	46,807
Prepaid expenses	1,733	(1,493)
Partner advances	42,391	(122,652)
Net cash provided/(used) by operating activities	<u>183,438</u>	<u>43,094</u>
Cash flows from investing activities:		
Purchase of property and equipment	(2,996)	(4,735)
Net cash provided/(used) by investing activities	<u>(2,996)</u>	<u>(4,735)</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash	180,442	38,359
Cash, at beginning of year	348,991	310,632
Cash, at end of year	<u><u>\$ 529,433</u></u>	<u><u>\$ 348,991</u></u>

**See accompanying notes to financial statements.**

**FAMILY REACH FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2014  
WITH COMPARATIVE TOTALS FOR 2013**

	<b>2014</b>				<b>2013</b>
	<b>Program</b>	<b>Supporting Services</b>			
	Family Relief and Support	Management and General	Fundraising	Total Expenses	Total Expenses
Personnel costs:					
Salaries	\$ 300,705	\$ 88,285	\$ 102,527	\$ 491,517	\$ 309,260
Payroll taxes	22,268	11,500	11,134	44,902	31,630
Employee benefits	13,799	3,158	14,474	31,431	-
Total personnel costs	336,772	102,943	128,135	567,850	340,890
Direct expenses:					
Advertising and promotion	3,629	5	838	4,472	898
Assistance - direct to families	441,555	-	-	441,555	261,677
Assistance - grants to organizations	812,449	-	-	812,449	596,802
Bank charges & processing fees	1,504	38,281	2,924	42,709	23,333
Consultants and contractors	465,413	40,653	56,000	562,066	56,158
Depreciation	-	3,476	-	3,476	3,195
Insurance	1,811	6,246	2,467	10,524	4,115
Meals and entertainment	4,055	2,264	3,471	9,790	11,007
Office supplies and expenses	2,855	7,949	1,781	12,585	10,094
Postage and delivery	2,682	1,389	2,433	6,504	2,493
Printing and copying	6,969	4,911	6,276	18,156	6,623
Professional fees	22,493	30,492	-	52,985	76,245
Program expenses - other	4,964	-	5,407	10,371	4,656
Rent and utilities	7,121	20,438	6,792	34,351	28,754
Repairs and maintenance	-	925	-	925	617
Telephone and communications	800	687	463	1,950	2,057
Travel and meetings	26,507	6,565	20,505	53,577	44,908
Website hosting and development	8,521	79	12,782	21,382	47,734
Total direct expenses	1,813,328	164,360	122,139	2,099,827	1,181,366
Total expenses	<u>\$ 2,150,100</u>	<u>\$ 267,303</u>	<u>\$ 250,274</u>	<u>\$ 2,667,677</u>	<u>\$ 1,522,256</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 statements of financial position and the statements 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, 2014 and 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 years ended December 31, 2014 and 2013 was \$4,472 and \$898, respectively.

**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, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Equipment	\$ 12,818	\$ 9,822
Less: Accumulated depreciation	( 8,583)	( 5,107)
	<u>\$ 4,235</u>	<u>\$ 4,715</u>

**Note 3 - Restrictions on Net Assets**

Temporarily restricted net assets includes 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, 2014 and 2013, the reserve fund has not been used and the balance is remains at \$100,000.

Total temporarily restricted net assets are available in future years for the following purposes:

	<u>2014</u>	<u>2013</u>
Reserve	\$ 100,000	\$ 100,000
Hands of Hope	55,000	-
Other program expenses	<u>42,500</u>	<u>-</u>
	<u>\$ 197,500</u>	<u>\$ 100,000</u>

**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 years ended December 31, 2014 and 2013 amounted to \$492,352 and \$90,629, respectively. Contributions in-kind mainly consisted of donated legal services, website development and mobile-app 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 Party Transactions**

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, 2014 and 2013, the total salary and consulting fees paid to the related party amounted to \$46,342 and \$40,374, respectively.

**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 years ended December 31, 2014 and 2013, as follows:

	<u>2014</u>	<u>2013</u>
Institution balances	\$ 541,216	\$ 367,354
Less: Amounts covered	<u>( 250,000)</u>	<u>( 250,000)</u>
Uninsured amounts	<u>\$ 291,216</u>	<u>\$ 117,354</u>

The Organization leases space under two noncancelable operating leases. As of December 31, 2014, minimum aggregate annual rentals were \$3,120. The Organization signed two new leases in 2015. Total rent and utilities expenses charged to operations for the years ended December 31, 2014 and 2013, was \$34,351 and \$28,754, respectively.

**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 \$32,033 for 2014 and \$27,831 for 2013. The total joint costs were allocated for the years ended December 31, 2014 and 2013 as follows:

	<u>2014</u>	<u>2013</u>
Program expenses	\$ 66,246	\$ 48,264
Management and general	25,736	25,732
Fundraising	<u>32,033</u>	<u>27,831</u>
Total joint costs	<u>\$124,015</u>	<u>\$101,827</u>

The total amount of direct and joint (allocated) costs related to solicitation activities (fundraising) was \$250,274 and \$173,359 for the years ended December 31, 2014 and 2013, respectively.

**Note 8 - Restatement**

An error in prior years resulted in an understatement of partner advances. Accordingly, an adjustment of \$122,652 was made to increase the partner advances balance as of December 31, 2013. This entry reduced previously reported net assets as of December 31, 2013.

**Note 9 - Subsequent Events**

Subsequent events were evaluated for potential additional disclosures through June 26, 2015, which is the date the financial statements were available to be issued.