

**Friends of Kids with Cancer**

Financial Statements

December 31, 2023 and 2022



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Friends of Kids with Cancer  
St. Louis, Missouri

### **Opinion**

We have audited the accompanying financial statements of Friends of Kids with Cancer (the "Organization"), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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 Kids with Cancer as of December 31, 2023 and 2022, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Friends of Kids with Cancer and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 these 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 Kids with Cancer's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's 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 auditor's 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, including omissions, 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 Kids with Cancer'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 Kids with Cancer'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.



Armanino<sup>LLP</sup>  
St. Louis, Missouri

August 22, 2024

Friends of Kids with Cancer  
Statements of Financial Position  
December 31, 2023 and 2022

	2023	2022
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,022,410	\$ 698,928
Investments	4,090,504	3,417,350
Promises to give	-	75,000
Prepaid and other assets	19,835	21,675
Total current assets	5,132,749	4,212,953
Non-current assets		
Property and equipment, net	67,461	96,005
Assets designated by board for endowment	2,029,533	1,794,183
Right of use asset	583,488	694,108
Total non-current assets	2,680,482	2,584,296
Total assets	\$ 7,813,231	\$ 6,797,249
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 232,057	\$ 86,557
Deferred revenue	3,600	9,040
Finance lease liability, current portion	1,951	1,949
Operating lease liability, current portion	114,126	109,964
Total current liabilities	351,734	207,510
Long-term liabilities		
Finance lease liability, net of current portion	1,791	3,742
Operating lease liability, net of current portion	522,915	637,041
Total long-term liabilities	524,706	640,783
Total liabilities	876,440	848,293
Net assets		
Without donor restrictions		
Undesignated	4,824,993	4,015,489
Board designated endowments	2,029,533	1,794,183
Total without donor restrictions	6,854,526	5,809,672
With donor restrictions	82,265	139,284
Total net assets	6,936,791	5,948,956
Total liabilities and net assets	\$ 7,813,231	\$ 6,797,249

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

Friends of Kids with Cancer  
Statement of Activities  
For the Year Ended December 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, support, and gains (losses)			
Contributions and grants	\$ 674,123	\$ 157,227	\$ 831,350
Fundraising events, net of direct expenses	1,025,194	38,050	1,063,244
Investment gain (loss), net	903,771	-	903,771
Donated goods and services	249,546	-	249,546
Net assets released from restriction	<u>252,296</u>	<u>(252,296)</u>	<u>-</u>
Total revenues, support, and gains (losses)	<u>3,104,930</u>	<u>(57,019)</u>	<u>3,047,911</u>
Functional expenses			
Program services	1,426,737	-	1,426,737
Management and general	266,299	-	266,299
Fundraising	<u>367,040</u>	<u>-</u>	<u>367,040</u>
Total functional expenses	<u>2,060,076</u>	<u>-</u>	<u>2,060,076</u>
Change in net assets	1,044,854	(57,019)	987,835
Net assets, beginning of year	<u>5,809,672</u>	<u>139,284</u>	<u>5,948,956</u>
Net assets, end of year	<u>\$ 6,854,526</u>	<u>\$ 82,265</u>	<u>\$ 6,936,791</u>

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

Friends of Kids with Cancer  
Statement of Activities  
For the Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, support, and gains (losses)			
Contributions and grants	\$ 642,356	\$ 257,025	\$ 899,381
Fundraising events, net of direct expenses	895,659	43,850	939,509
Investment gain (loss), net	(732,000)	-	(732,000)
Donated goods and services	286,450	-	286,450
Net assets released from restriction	<u>257,952</u>	<u>(257,952)</u>	<u>-</u>
Total revenues, support, and gains (losses)	<u>1,350,417</u>	<u>42,923</u>	<u>1,393,340</u>
Functional expenses			
Program services	1,359,219	-	1,359,219
Management and general	238,827	-	238,827
Fundraising	<u>344,681</u>	<u>-</u>	<u>344,681</u>
Total functional expenses	<u>1,942,727</u>	<u>-</u>	<u>1,942,727</u>
Change in net assets	(592,310)	42,923	(549,387)
Net assets, beginning of year	<u>6,401,982</u>	<u>96,361</u>	<u>6,498,343</u>
Net assets, end of year	<u>\$ 5,809,672</u>	<u>\$ 139,284</u>	<u>\$ 5,948,956</u>

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

Friends of Kids with Cancer  
Statement of Functional Expenses  
For the Year Ended December 31, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Expenses by function				
Advertising	\$ -	\$ -	\$ 9,437	\$ 9,437
Assistance to individuals	601,358	-	-	601,358
Art and music therapy services	234,939	-	-	234,939
Counseling	97,641	-	-	97,641
Depreciation and amortization	16,667	4,380	10,699	31,746
Educational supplies and tutoring	95,664	-	-	95,664
Event entertainment	-	-	29,496	29,496
Event other expenses	-	-	59,284	59,284
Event postage and printing	-	-	9,972	9,972
Event supplies	-	-	22,388	22,388
Event venue	-	-	218,752	218,752
Insurance	-	8,943	-	8,943
Office expenses	4,577	10,444	14,602	29,623
Other expenses	-	3,720	-	3,720
Professional fees	-	24,792	-	24,792
Public relations	4,026	-	113,292	117,318
Rent expense	63,665	16,735	40,867	121,267
Repairs and maintenance	5,858	1,919	3,761	11,538
Salaries and benefits	228,504	183,677	174,382	586,563
Scholarships	73,838	-	-	73,838
Technology	-	11,689	-	11,689
Total expenses by function	<u>1,426,737</u>	<u>266,299</u>	<u>706,932</u>	<u>2,399,968</u>
Less expenses included with revenues on the statement of activities				
Direct costs from fundraising events	<u>-</u>	<u>-</u>	<u>(339,892)</u>	<u>(339,892)</u>
	<u>\$ 1,426,737</u>	<u>\$ 266,299</u>	<u>\$ 367,040</u>	<u>\$ 2,060,076</u>

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



Friends of Kids with Cancer  
Statement of Functional Expenses  
For the Year Ended December 31, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Expenses by function				
Advertising	\$ -	\$ -	\$ 12,755	\$ 12,755
Assistance to individuals	664,438	-	-	664,438
Art and music therapy services	227,859	-	-	227,859
Counseling	67,859	-	-	67,859
Depreciation and amortization	16,667	4,381	10,699	31,747
Educational supplies and tutoring	96,185	-	-	96,185
Event entertainment	-	-	28,057	28,057
Event other expenses	-	-	67,725	67,725
Event postage and printing	-	-	5,891	5,891
Event supplies	-	-	28,641	28,641
Event venue	-	-	155,100	155,100
Insurance	-	7,412	-	7,412
Office expenses	4,625	10,300	14,126	29,051
Other expenses	-	1,750	-	1,750
Professional fees	-	20,235	-	20,235
Public relations	1,158	-	94,088	95,246
Rent expense	62,199	16,349	39,926	118,474
Repairs and maintenance	-	2,454	-	2,454
Salaries and benefits	159,710	166,778	173,087	499,575
Scholarships	58,519	-	-	58,519
Technology	-	9,168	-	9,168
Total expenses by function	<u>1,359,219</u>	<u>238,827</u>	<u>630,095</u>	<u>2,228,141</u>
Less expenses included with revenues on the statement of activities				
Direct costs from fundraising events	<u>-</u>	<u>-</u>	<u>(285,414)</u>	<u>(285,414)</u>
	<u>\$ 1,359,219</u>	<u>\$ 238,827</u>	<u>\$ 344,681</u>	<u>\$ 1,942,727</u>

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

Friends of Kids with Cancer  
Statements of Cash Flows  
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 987,835	\$ (549,387)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization expense	31,746	31,747
Unrealized and realized (gains)/losses on investments	(727,174)	817,066
Changes in operating assets and liabilities		
Promises to give	75,000	(60,000)
Prepaid expenses and other assets	1,840	(4,833)
Accounts payable and accrued expenses	145,500	9,153
Deferred revenue	(5,440)	8,690
Operating lease assets and liabilities, net	656	224
Net cash provided by operating activities	509,963	252,660
Cash flows from investing activities		
Purchase of investments	(845,688)	(2,336,562)
Proceeds from the sale of investments	664,358	2,136,958
Purchases of property and equipment	(3,202)	-
Net cash used in investing activities	(184,532)	(199,604)
Cash flows from financing activities		
Principal payments on finance lease	(1,949)	(1,946)
Net cash used in financing activities	(1,949)	(1,946)
Net increase in cash and cash equivalents	323,482	51,110
Cash and cash equivalents, beginning of year	698,928	647,818
Cash and cash equivalents, end of year	\$ 1,022,410	\$ 698,928

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

Friends of Kids with Cancer  
Notes to Financial Statements  
December 31, 2023 and 2022

1. NATURE OF OPERATIONS

Friends of Kids with Cancer, Inc. (the "Organization") is a Missouri non-for-profit charitable organization, which helps to enrich the daily lives of children who are undergoing or have undergone treatment for cancer and their immediate families in the metropolitan St. Louis region. The Organization is devoted to providing these special children with the recreational, educational, and emotional support they need. Providing cost-free services such as art therapy, tutoring, support groups and financial assistance for individual psychological sessions to these children carries out the Organization's mission. Along with these vital services, the Organization also provides televisions, computers, art supplies, toys, games, food, parties, and individual requests for children receiving treatment at local hospitals providing treatment for children with cancer. The Organization's revenue and support comes primarily from fundraising events, grants, and contributions received from donors as well as investment earnings.

**Description of Program and Supporting Services**

The following program and supporting services are included in the accompanying financial statements:

**Program Services**

Friends of Kids with Cancer, Inc. is devoted to enriching the daily lives of children undergoing treatment, and survivors of cancer and blood-related diseases. The mission of the Organization is to be an advocate for these special kids and provide them and their families with educational, emotional, and recreational support needed as a result of the long hours of chemotherapy, illness, and isolation.

**Recreational Support**

Recreational support includes those expenditures that enable the Organization to provide recreational support for children and families during their cancer treatments including toys, crafts, games, computers, TV's, movies, gift cards, transportation, meals, and snacks in the treatment centers. Donations of brand-new toys, gift cards, books, food treats, tickets, etc., are accepted from the community and distributed directly to the patients and families. These activities offer opportunities for the children to exercise their creativity and feel proud of their efforts, all the while providing them with entertainment and a distraction from their treatment.

Special gifts are provided for children receiving bone marrow transplants, radiation treatments, or who have suffered a relapse of their disease, to help keep up their spirits and provide welcome diversion. An annual gift (up to \$300) is also provided to children in treatment. Children who are newly diagnosed or otherwise unexpectedly admitted to the hospital receive a festive bucket containing personal care items and gift cards to help with expenses. All of the above special gifts are given at the recommendation of the health care providers who work with the children daily. The Organization holds parties and provides outings for the children and families throughout the year. Donated tickets are given to families and enhanced with concession gift cards whenever possible.

Friends of Kids with Cancer  
Notes to Financial Statements  
December 31, 2023 and 2022

1. NATURE OF OPERATIONS (continued)

These events provide an opportunity to spend time with one another in a safe and exciting environment outside of the treatment centers and help create priceless memories for the families.

*Educational Support*

High-quality, cost-free educational assistance is provided to the children by an educator during individual, small group, and home tutorial sessions. These sessions are aimed at developing the children's self-esteem and educational motivation. Educational testing, toys, and games also combine to help combat the long-term cognitive effects caused by the severity of the treatments they must endure.

For the years ended December 31, 2023 and 2022, the Organization provided 18 and 22 scholarships, totaling \$73,838 and \$58,519, respectively, to college-aged students who are cancer survivors or in treatment for cancer. The scholarships are awarded to applicants chosen by a special committee.

*Emotional Support*

The services of a certified art therapist are provided to help these children express their feelings and learn to deal with their disease. Art Therapy provides a child with cancer a tool for empowerment and a means of communication when words cannot suffice. Financial assistance is provided for crisis intervention counseling sessions with a professional psychologist for a child undergoing treatment for cancer or for the child's entire family, and for psychosocial testing of some children and families to identify issues that could impact treatment options. Support groups are offered for the siblings and parents of children in treatment to help them deal with the issues that weigh so heavily on their hearts and minds.

*Management and General*

Management and general includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Organization's program strategy; secure proper administrative functioning of the Board of Directors; and manage the financial and budgetary responsibilities of the Organization.

*Fundraising*

Fundraising provides the structure necessary to encourage and secure financial support for operations and includes expenses incurred in connection with fundraising events.

Friends of Kids with Cancer  
Notes to Financial Statements  
December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and presentation

These financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues and expenses are recognized in the period in which they are earned or incurred.

Additionally, the Organization presents information regarding its financial position and activities according to two classes of net assets as follows:

- *Net assets without donor restrictions* - are those which have no donor restrictions and are currently available for use by the Organization. In addition, the board designated net assets represent those resources that the Board of Directors, rather than a donor or other outside agency, has designated for a specific purpose.
- *Net assets with donor restrictions* - are subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature and limit the use of the donated assets for specified purposes or expiration by passage of time. When stipulated time restrictions expire or purpose restrictions are accomplished, these net assets are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Other donor-imposed restrictions are perpetual in nature. These donor-imposed restrictions are those contributed with donor stipulations that they be held in perpetuity with use of income for restricted purposes. As of December 31, 2023 and 2022, the Organization had no net assets with donor restrictions that were perpetual in nature.

Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from estimates.

Cash and cash equivalents

The Organization considers all highly liquid, short-term investments with an initial maturity of three months or less to be cash equivalents. The Organization maintains cash accounts at various financial institutions with strong credit ratings. At times, such accounts may be in excess of Federal Deposit Insurance Corporation ("FDIC") insurance limits.

Friends of Kids with Cancer  
Notes to Financial Statements  
December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Promises to give

Unconditional promises to give are recognized as revenues in the period the unconditional promises are made. Promises to give are considered conditional when a measurable barrier and right of return or release exists. The promises to give become unconditional and are recognized as revenue when the barriers upon which they depend are overcome. Promises to give were unconditional in nature at December 31, 2023 and 2022. Management closely monitors outstanding balances and writes off, through a charge to earnings, balances when they are deemed uncollectible. Management determined no allowance for uncollectible promises to give was necessary at December 31, 2023 and 2022.

Investments

The Organization's investments are carried at fair value and consist primarily of money market funds and mutual funds, including equity and bond funds. Investment income is recognized when earned. Unrealized and realized gains and losses are included in the change in net assets in the accompanying statements of activities.

Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Property and equipment

Furniture and equipment are carried at cost, if purchased, or at fair value, if donated, less accumulated depreciation computed using the straight-line method over three to ten years. Furniture and equipment with a cost of \$1,500 dollars or more and improvements that extend the life of the asset are capitalized. Leasehold improvements are capitalized at cost and amortized over the lesser of the life of the assets or the life of the lease. Repairs and maintenance are expensed as incurred.

Leases

The Organization has one operating lease for office space and finance leases for office equipment. As of January 1, 2022, operating leases are required to be included in right-of-use ("ROU") assets and lease liabilities on the statement of financial position. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. For operating leases with a term of one year or less, the Organization has elected to not recognize a lease liability or ROU asset on the statement of financial position. Instead, lease payments are recognized as expenses on a straight-line basis over the lease term.

Friends of Kids with Cancer  
Notes to Financial Statements  
December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract or when the terms of an existing contract are changed. Finance and operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Organization's leases do not provide an implicit rate, the Organization uses the risk-free rate commensurate with the lease term based on the information available at commencement date in determining the present value of lease payments. The lease ROU asset also includes any lease payments made and excludes lease incentives. Option periods are included in the ROU asset and liability when it is reasonably certain the option will be exercised. Rent expense for lease payments is recognized on a straight-line basis over the lease term.

For any lease agreements with lease and non-lease components, the Organization has elected to apply the practical expedient that allows equipment leases and their associated maintenance services to be accounted for as a single combined operating lease component. The Organization is a lessee in lease agreements with third parties that do not have any material restrictions or covenants in their lease agreements, sale-leaseback transactions, land easements or residual value guarantees.

As a result of adopting the new standards effective January 1, 2022, the Organization recorded net lease assets and lease liabilities of approximately \$800,266 and \$852,939, respectively. Adoption of the new standard does not impact the Organization's change in net assets on the statements of activities and had no impact on beginning net assets.

Deferred revenue

Revenue from ticket sales is recognized in the year of the program or event. Proceeds from ticket sales received prior to year-end, for an event in the following year, are deferred in the statements of financial position and recognized as revenue in the next year in the statements of activities.

Contributions payable and contributions made

Contributions payable are recognized as expenses in the period an unconditional commitment is made. Conditional contributions payable, which depend upon specified future events or contractual requirements, are recognized as expenses when the barriers upon which they depend are overcome. The Organization had conditional contributions outstanding of \$50,000 and \$160,000 as of December 31, 2023 and 2022, respectively. The expenses recognized in the current year are recorded in art and music therapy on the statements of functional expenses for the years ending December 31, 2023 and 2022 in the amount of \$160,000.

Friends of Kids with Cancer  
Notes to Financial Statements  
December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is generated substantially from the donations of goods, cash, gift cards, and stock, that are outside the scope of ASU 2014-09, Revenue from Contracts with Customers (Topic ASC 606). The ticket sales and sponsorships for special events, included in fundraising events revenue on the statement of activities, are partially for an exchange of goods and partially a contribution to the Organization. The contribution portion is recognized in accordance with ASC 958 when the unconditional promise to give is made or the conditions are overcome while the reciprocal piece is recognized under ASC 606 over the course of the event when the performance obligation is met. Most events occur within the calendar year and the amounts received in advance of events for the next year are not significant to the financial statements as a whole, therefore the exchange portion of sponsorships is not deferred. See the break out of the exchange portion of fundraising revenue in Footnote 10.

Donated goods and services

Donated goods and services are recorded as contributions at fair market value on the date of donation. Significant toys, tickets, and services are donated to the Organization by various individuals, organizations, and companies. Such donations are reported as without donor restrictions unless the donor has restricted the donated asset to a specified purpose. The Organization records donated goods and services if their value is readily ascertainable and if the services performed require specialized skills.

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Numerous volunteers support the Organization by providing a variety of services; however, the value of this contributed time is not reflected in these financial statements because the criteria has not been met.

Functional expense allocations

The Organization allocates its expenses on a functional basis among its program and supporting services. Expenses that can be identified with a specific program and supporting service are allocated directly according to their natural expenditure classifications. Certain categories of expenses are attributed to more than one function; therefore, expenses require allocation on a reasonable basis that is consistently applied.

The expenses allocated on the basis of estimates of time and effort include salaries, benefits, and payroll taxes. Depreciation and rent expenses are allocated on a square footage basis. Other expenses such as office expenses are allocated based on usage (derived from time and effort studies).



Friends of Kids with Cancer  
Notes to Financial Statements  
December 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising expenses

Advertising costs are expensed as incurred. Total advertising expenses for the years ended December 31, 2023 and 2022, were \$9,437 and \$12,755, respectively.

Tax status

The Organization is a qualified not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and is, therefore, exempt from federal income taxes. The Organization has addressed the provisions of FASB ASC 740, Accounting for Income Taxes. In that regard, the Organization has evaluated its tax positions, expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings and believes that no provision for income taxes is necessary, at this time, to cover any uncertain tax positions.

Reclassifications

Certain reclassifications have been made to the 2022 financial statement presentation to conform to the financial statement presentation used in 2023. Net assets and changes in net assets are unchanged due to these reclassifications.

Subsequent events

The Organization has evaluated subsequent events through August 22, 2024, the date which the financial statements were available for issue.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at December 31:

	2023	2022
Cash and cash equivalents	\$ 1,022,410	\$ 698,928
Promises to give	-	75,000
Investments	4,090,504	3,417,350
Annual endowment distribution (estimated)	170,000	230,000
Less donor restrictions	(44,215)	(20,434)
	\$ 5,238,699	\$ 4,400,844

The Organization has board designated funds of \$2,029,533 and \$1,794,183 as of December 31, 2023 and 2022, respectively, for various purposes described in Note 5. These funds can be made available upon board approval, if necessary.

Friends of Kids with Cancer  
Notes to Financial Statements  
December 31, 2023 and 2022

4. FAIR VALUE MEASUREMENTS

FASB ASC 820 "Fair Value Measurements and Disclosures" establishes a framework for measuring fair value. That framework 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2: Inputs to the valuation methodology include:
  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets or liabilities in inactive markets;
  - inputs other than quoted prices that are observable for the asset or liability;
  - inputs that are derived principally from or corroborated by observable market data by correlation or other means.
  - If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Management determines the fair value measurement valuation policies and procedures, including those for Level 3 recurring and nonrecurring measurements. Management assesses and approves these policies and procedures. At least annually, management: (1) determines if the current valuation techniques used in fair value measurements are still appropriate and (2) evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and third-party information.

The Organization recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. There were no transfers between levels for the years ended December 31, 2023 and 2022.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2023 and 2022.

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4. FAIR VALUE MEASUREMENTS (continued)

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end funds that are registered with the Securities 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.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets and liabilities at fair value as of December 31:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
2023				
Mutual Funds	\$ 6,120,037	\$ -	\$ -	\$ 6,120,037
2022				
Mutual Funds	\$ 5,211,533	\$ -	\$ -	\$ 5,211,533

Investments are included in the statements of financial position as follows:

	<u>2023</u>	<u>2022</u>
Investments	\$ 4,090,504	\$ 3,417,350
Assets designated by board for endowment	<u>2,029,533</u>	<u>1,794,183</u>
	<u>\$ 6,120,037</u>	<u>\$ 5,211,533</u>

5. BOARD DESIGNATED ENDOWMENT

The Organization's endowment includes only funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

In the absence of donor restrictions, under the terms of the Organization's governing documents, the Board of Directors, in its sole discretion, has the ability to distribute so much of the original principal of any trust, separate gift or fund as they shall determine necessary. Therefore, the endowment is classified as net assets without donor restrictions for financial statement purposes.

The investment objective of the Organization is to provide a return on investments that supports the Organization both in the short-term for annual income and the long-term for maintenance and growth of the endowment's purchasing power. Achievement of the return will be sought from an investment strategy which provides an opportunity for optimal returns within acceptable levels of risk and volatility of returns. The Organization has adopted a distribution policy stating that distributions from the endowment fund in any fiscal year shall not exceed 4.5% of the fair market value of the endowment as of the last business day of the year-end, unless approved by the Executive Committee and the Board of Directors.

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5. BOARD DESIGNATED ENDOWMENT (continued)

Change in board designated endowment net assets for the years then ended December 31:

	2023	2022
Balance, beginning of year	\$ 1,794,183	\$ 2,301,744
Interest and dividends, net of expenses	33,376	59,786
Unrealized/realized gains/(losses)	266,974	(337,347)
Releases (based on board determined spending policy)	(65,000)	(230,000)
Balance, end of year	\$ 2,029,533	\$ 1,794,183

6. PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31, is as follows:

	2023	2022
Vehicles	\$ 37,796	\$ 37,796
Software	21,836	21,836
Office equipment	45,563	42,361
Furniture	129,621	129,621
Leasehold improvements	47,571	47,571
	282,387	279,185
Less: accumulated depreciation	(214,926)	(183,180)
	\$ 67,461	\$ 96,005

Depreciation and amortization expense was \$31,746 and \$31,747 for the years ended December 31, 2023 and 2022, respectively.

7. LEASES

On November 1, 2018, the Organization entered into a ten-year operating lease for its office facility, containing provisions for rent escalations each year ranging from \$9,271 to \$11,305 per month through February 28, 2029, along with the first 6 months of the lease agreement being free. Rental expense was \$121,267 and \$118,474 for the years end December 31, 2023 and 2022, respectively.

In December 2020, the Organization entered into a finance lease for a copier, requiring payments due in monthly installments of \$163, including interest. The lease matures in November 2025 and is secured by the equipment.

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7. LEASES (continued)

The following summarizes the line items in the statements of financial position which include amounts for operating and finance leases as of December 31:

	2023	2022
Operating leases:		
Operating lease right -of- use assets	\$ <u>583,488</u>	\$ <u>694,108</u>
Operating leases:		
Operating lease liabilities current	\$ 114,126	\$ 109,964
Operating lease liabilities noncurrent	<u>522,915</u>	<u>637,041</u>
	<u>\$ 637,041</u>	<u>\$ 747,005</u>
Finance leases:		
Equipment	\$ 9,744	\$ 9,744
Accumulated amortization	<u>(6,009)</u>	<u>(4,060)</u>
	<u>\$ 3,735</u>	<u>\$ 5,684</u>
Finance leases:		
Finance lease liabilities current	\$ 1,951	\$ 1,949
Finance lease liabilities noncurrent	<u>1,791</u>	<u>3,742</u>
	<u>\$ 3,742</u>	<u>\$ 5,691</u>

The following summarizes the line items in the statements of activities which include the components of lease expense for the years ended December 31:

	2023	2022
Operating leases:		
Operating lease costs included in rent expense	\$ <u>121,267</u>	\$ <u>118,474</u>
	<u>121,267</u>	<u>118,474</u>
Finance leases:		
Amortization of assets included in depreciation and amortization	1,949	1,949
Interest expense included in office expense	<u>5</u>	<u>8</u>
	<u>1,954</u>	<u>1,957</u>
	<u>\$ 123,221</u>	<u>\$ 120,431</u>

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7. LEASES (continued)

The following summarizes the cash flow information related to operating and finance leases for the years ended December 31:

	2023	2022
Cash paid for amounts included in the measurements of lease liabilities:		
Operating cash flows from operating leases	\$ 53,553	\$ 52,897
Operating cash flows from finance leases	1,949	1,949
Financing cash flows from finance leases	1,949	1,947
	57,451	56,793
Lease assets obtained in exchange for lease obligations:		
Operating leases	-	800,266
	-	800,266

The following summarizes the weighted average remaining lease term and discount rate as of December 31:

	2023	2022
Weighted average remaining lease term in years:		
Operating leases	5.2	6.2
Finance leases	1.9	2.9
Weighted average discount rate:		
Operating leases	1.6%	1.6%
Finance leases	0.1%	0.1%

The maturities of lease liabilities as of December 31, 2023 were as follows:

Year ending December 31,	Operating	Finance	Total
2024	\$ 123,034	\$ 1,954	\$ 124,988
2025	125,468	1,954	127,422
2026	128,013	-	128,013
2027	130,574	-	130,574
2028	155,806	-	155,806
	662,895	3,908	666,803
Less: interest	(25,854)	(166)	(26,020)
Present value of lease liabilities	637,041	3,742	640,783
Current portion	(114,126)	(1,951)	(116,077)
	\$ 522,915	\$ 1,791	\$ 524,706

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8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following for the years ended December 31:

	2023	2022
Recreational support	\$ 15,263	\$ 2,312
Other program support	28,952	18,122
Timing restrictions	38,050	118,850
	\$ 82,265	\$ 139,284

Net assets were released from restrictions as follows for the years ended December 31:

	2023	2022
Recreational support	\$ 5,099	\$ 11,000
Educational support	82,930	101,730
Emotional support	20,000	75,000
Other program support	25,417	55,222
Timing restrictions	118,850	15,000
	\$ 252,296	\$ 257,952

9. DONATED GOODS AND SERVICES

The Organization received the following donated goods and services as of December 31:

	2023	2022
Donated toys	\$ 165,908	\$ 204,254
Donated tickets	20,700	19,508
Marketing services	62,938	62,688
	\$ 249,546	\$ 286,450

Donated toys and tickets consist of various types of toys such as books, stuffed animals, school supplies, and other similar gifts along with tickets for various events such as sports, concerts, museums, and other events. In valuing these donations, the Organization estimates the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States, as the toys donated are new or barely used.

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9. DONATED GOODS AND SERVICES (continued)

Contributed services recognized comprise of professional services for marketing that were utilized in the Organization's programming and fundraising events. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services. The Organization did not monetize any donated goods and services and unless otherwise noted, donated goods and services did not have donor restrictions as of December 31, 2023 and 2022.

10. RECOGNITION OF EXCHANGE REVENUE

The following table summarizes deferred revenue balances as of December 31:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 9,040	\$ 350
Contracts completed	(9,040)	(350)
Contracts started	<u>3,600</u>	<u>9,040</u>
Balance, end of year	<u>\$ 3,600</u>	<u>\$ 9,040</u>

The following tables presents exchange revenue disaggregated by revenue source and pattern of revenue recognition for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Fundraising events tickets sales and other exchange pieces	<u>\$ 299,838</u>	<u>\$ 163,702</u>

11. RELATED PARTY TRANSACTIONS

The Organization received goods or services from Board member affiliates at fair market value. The fees the Organization paid for services from Board member affiliates amounted to \$10,520 and \$10,999 for the years ended December 31, 2023 and 2022, respectively. The Organization received donated services of \$62,938 and \$62,688 from one company associated with a Board member for the years ended December 31, 2023 and 2022, respectively. The Organization received contributions of \$57,169 and \$102,150 from Board members for the years ended December 31, 2023 and 2022, respectively.

12. RETIREMENT PLAN

The Organization provides a SEP Employee Retirement Plan to all employees. The Organization contributed 5% of each employee's annual wages which amounted to a contribution of \$24,055 and \$20,281 for the years ended December 31, 2023 and 2022, respectively. The Organization also provides a 403(b) Salary Deferral Plan to which employees may contribute on a voluntary basis.