

Camp Kesem National

Financial Statements and Independent Auditors' Report

September 30, 2019 and 2018

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MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Camp Kesem National
Culver City, California

Report on the Financial Statements

We have audited the accompanying financial statements of Camp Kesem National (the "Organization"), which comprise the statements of financial position as of September 30, 2019 and 2018, the related statements of activities 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.

Auditors' 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 from 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 auditors' 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.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Camp Kesem National, as of September 30, 2019 and 2018, and the changes in net assets and cash flows, for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note B-12 to the financial statements, the Organization adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

MILLER, COOPER & CO., LTD.



Certified Public Accountants

Deerfield, Illinois
March 5, 2020

FINANCIAL STATEMENTS

Camp Kesem National
STATEMENTS OF FINANCIAL POSITION
September 30, 2019 and 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,575,091	\$ 7,130,733
Pledges receivable	85,000	95,000
Event deposits	232,550	217,155
Prepaid expenses	221,491	129,862
Other current assets	48,988	1,426
Total current assets	<u>7,163,120</u>	<u>7,574,176</u>
NONCURRENT ASSETS		
Equipment, net	-	39,114
Pledges receivable, less current portion	-	60,000
Other assets	670	670
Total noncurrent assets	<u>670</u>	<u>99,784</u>
	<u>\$ 7,163,790</u>	<u>\$ 7,673,960</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 283,036	\$ 251,697
Accrued expenses	261,256	253,974
Unearned revenue	135,650	115,800
Total current liabilities	<u>679,942</u>	<u>621,471</u>
NET ASSETS		
Without donor restrictions	6,398,848	6,887,489
With donor restrictions	85,000	165,000
Total net assets	<u>6,483,848</u>	<u>7,052,489</u>
	<u>\$ 7,163,790</u>	<u>\$ 7,673,960</u>

The accompanying notes are an integral part of these statements.

Camp Kesem National
STATEMENTS OF ACTIVITIES
For the years ended September 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support						
Grants	\$ 445,369	\$ -	\$ 445,369	\$ 478,626	\$ -	\$ 478,626
Contributions	11,784,236	35,000	11,819,236	10,847,972	147,000	10,994,972
Contributions in-kind	13,317	-	13,317	32,556	-	32,556
Interest income	4,135	-	4,135	4,048	-	4,048
Net assets released from restrictions	115,000	(115,000)	-	313,333	(313,333)	-
Total revenues and other support	12,362,057	(80,000)	12,282,057	11,676,535	(166,333)	11,510,202
Expenses						
Program	9,198,714	-	9,198,714	7,736,852	-	7,736,852
Fundraising	2,679,925	-	2,679,925	2,454,166	-	2,454,166
General and administrative	972,059	-	972,059	392,613	-	392,613
Total expenses	12,850,698	-	12,850,698	10,583,631	-	10,583,631
CHANGE IN NET ASSETS	(488,641)	(80,000)	(568,641)	1,092,904	(166,333)	926,571
Net assets, beginning of year	6,887,489	165,000	7,052,489	5,794,585	331,333	6,125,918
Net assets, end of year	<u>\$ 6,398,848</u>	<u>\$ 85,000</u>	<u>\$ 6,483,848</u>	<u>\$ 6,887,489</u>	<u>\$ 165,000</u>	<u>\$ 7,052,489</u>

Miller Cooper & Co., Ltd.

The accompanying notes are an integral part of these statements.

Camp Kesem National
STATEMENTS OF CASH FLOWS
For the years ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ (568,641)	\$ 926,571
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation	39,114	9,438
Changes in assets		
Pledges receivable	70,000	(53,667)
Event deposits	(15,395)	(106,642)
Prepaid expenses	(91,629)	(64,414)
Other current assets	(47,562)	84,181
Changes in liabilities		
Accounts payable	31,339	30,193
Accrued expenses	7,282	(73,167)
Unearned revenue	19,850	115,800
	<u>(555,642)</u>	<u>868,293</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Purchases of equipment	<u>-</u>	<u>(23,168)</u>
Net cash used in investing activities	<u>-</u>	<u>(23,168)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(555,642)	845,125
Cash and cash equivalents, beginning of year	<u>7,130,733</u>	<u>6,285,608</u>
Cash and cash equivalents, end of year	<u>\$ 6,575,091</u>	<u>\$ 7,130,733</u>

The accompanying notes are an integral part of these statements.

Camp Kesem National
NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE A - ORGANIZATION AND NATURE OF THE BUSINESS

Camp Kesem National (the "Organization") was incorporated under the laws of the state of California as a Domestic Nonprofit Organization in 2003. Its mission is to provide children affected by a parent's cancer with a supportive, lifelong camp community that recognizes and understands their unique needs, and to empower college students to make a difference and build invaluable leadership skills by developing and managing every aspect of their Camp Kesem chapter.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. **Basis of Presentation**

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

2. **Cash and Cash Equivalents**

The Organization considers highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Camp Kesem National
NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Pledges Receivable

Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management monitors the collection of these receivables on a routine basis. Unconditional contributions (promises to give) that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of estimated future cash flows, at the date the contribution or pledge is received, to the extent estimated to be collectible by the Organization. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts, if any, are included in contribution revenue. Long-term pledges receivable represent unconditional contributions to be collected in excess of one year in the future.

4. Equipment, Net

Equipment is recorded at cost, if purchased, or fair value as of the date of donation. Equipment is depreciated on a straight-line basis over three years.

5. Unearned Revenue

Unearned revenue is comprised of income from donors related to fundraising events received in advance of the period in which the event occurs. The Organization recognizes revenues when the related events occur.

6. Income Taxes

The Organization has received a favorable determination letter from the Internal Revenue Service stating that it is exempt from taxation on income related to its exempt purposes, under section 501(a) of the Internal Revenue Code, as an organization described in section 501(c)(3). As an exempt organization, the Organization is subject to federal and state income taxes on income determined to be unrelated business taxable income, if any.

Camp Kesem National
NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Income Taxes (Continued)

GAAP requires management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS) or other applicable taxing authorities.

Management has analyzed the tax positions taken by the Organization and has concluded that as of September 30, 2019 and 2018, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

7. Contributions

The Organization reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Gifts of cash and other assets that are received without donor stipulations limiting the use of the donated assets are reported as net assets without donor restrictions. When a donor restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

8. Use of Estimates

In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Camp Kesem National
NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Contributed Services and Gifts In-Kind

In-kind contributions are recorded at their estimated fair value as both revenue and expense in the statements of activities. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. The Organization records the estimated fair value of contributed services which meet these criteria (see Note F).

10. Functional Expense Allocation

The cost of providing the Organization's programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, costs associated with a specific program are charged directly to that program. Costs that benefit more than one program have been allocated among the programs and supporting services benefited based on a systematic and rational method. Payroll and related expenses are allocated based on time and effort. All other expenses are directly allocated. (See Note H).

11. Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash equivalents, accounts receivable, accounts payable, and accrued expenses, approximate fair value due to the short maturity of these instruments.

It is the Organization's policy, in general, to measure nonfinancial assets and liabilities at fair value on a nonrecurring basis. These items are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (such as evidence of impairment) which, if material, are disclosed in the accompanying notes to these financial statements.

Camp Kesem National
NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. New Accounting Pronouncement

Presentation of Financial Statements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 is intended to reduce complexity by changing the way all not-for-profits classify net assets and prepare financial statements, which will result in more consistent and transparent financial reporting and disclosures for not-for-profits. The Organization adopted ASU 2016-14 during the year ended September 30, 2019 and adjusted the presentation of the accompanying financial statements accordingly. ASU 2016-14 has been applied retrospectively to all periods presented, except as noted below.

- * Unrestricted and temporarily restricted net assets have been renamed net assets without donor restrictions and net assets with donor restrictions, respectively. As of September 30, 2019 and 2018, the Organization does not have any permanently restricted net assets which would have been combined in the net assets with donor restrictions classification.

- * The financial statements include a new disclosure about liquidity and availability of resources as of September 30, 2019 (see Note C). This analysis is not required to be disclosed as of September 30, 2018.

- * The Organization has always presented an analysis of expenses by both function and natural classification which is presented in note H in the accompanying financial statements. Additional disclosures are now required regarding specific methodologies used to allocate costs among program and support functions (see Note B-10).

Camp Kesem National
NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

13. Accounting Standards Applicable in Future Years

Revenue Recognition

The FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, (Topic 606) (ASU 2014-09), in May 2014. ASU 2014-09 sets forth a new five-step revenue recognition model that will require the use of more estimates and judgment. ASU 2014-09 will replace current revenue recognition requirements in Topic 605, *Revenue Recognition*, in its entirety. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not addressed completely in prior accounting guidance. ASU 2014-09 is effective for annual financial statements of non-public companies issued for fiscal years beginning after December 15, 2018, and should be applied retrospectively in the year the ASU is first applied using one of two allowable application methods.

ASU 2014-09 is effective for the Organization's September 30, 2020 financial statements and thereafter. Management is currently evaluating the effect that ASU 2014-09 will have on the Organization's financial statements.

Contributions Received and Contributions Made

The FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08) in June 2018. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and made. The amendments provide a more robust framework for determining whether a transaction should be accounted for as a contribution or an exchange transaction. The amendments also provide more guidance on determining whether a contribution is conditional.

ASU 2018-08 is effective for annual financial statements issued for fiscal years beginning after December 15, 2018 for transactions in which the Organization serves as the resource recipient. ASU 2018-08 is effective for annual financial statements issued for fiscal years beginning after December 15, 2019 for transactions in which the Organization serves as the resource provider.

Camp Kesem National
NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

13. Accounting Standards Applicable in Future Years (Continued)

Contributions Received and Contributions Made (Continued)

ASU 2018-08 is effective for the Organization's September 30, 2020 financial statements and thereafter. Management is currently evaluating the effect that ASU 2016-02 will have on the Organization's financial statements.

Leases

The FASB issued ASU 2016-02, *Leases*, (Topic 842) (ASU 2016-02), in February 2016. ASU 2016-02 will require lessees to recognize, at commencement date, a lease liability representing the lessee's obligation to make payments arising from the lease and a right-of-use asset representing the lessee's right to use or control the use of a specific asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. ASU 2016-02 is effective for annual financial statements issued for fiscal years beginning after December 15, 2019, and should be applied using a modified retrospective approach.

ASU 2016-02 is effective for the Organization's September 30, 2022 financial statements and thereafter. Management is currently evaluating the effect that ASU 2016-02 will have on the Organization's financial statements.

NOTE C - AVAILABILITY AND LIQUIDITY

The Organization monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization's primary source of liquidity is its cash and cash equivalents.

For purposes of analyzing resources available to meet general expenditures over a 12 month period, the Organization considers all expenditures related to its ongoing activities of programming as well as the conduct of services undertaken to support those activities to be general expenditures.

Camp Kesem National
NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE C - AVAILABILITY AND LIQUIDITY (Continued)

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a budget and anticipates collecting sufficient revenue to cover almost all general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash.

The following shows the total financial assets held by the Organization and the amounts of those financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures, as of September 30, 2019:

Financial assets at year-end:	
Cash and cash equivalents	\$ 6,575,091
Pledges receivable	<u>85,000</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 6,660,091</u>

NOTE D - EQUIPMENT, NET

Equipment, net at September 30, 2019 and 2018 consists of:

	<u>2019</u>	<u>2018</u>
Computers	\$ -	\$ 64,676
Less accumulated depreciation	<u>-</u>	<u>25,562</u>
	<u>\$ -</u>	<u>\$ 39,114</u>

Camp Kesem National
NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE E - PLEDGES RECEIVABLE

Pledges receivable are expected to be received as follows:

	2019	2018
Less than one year	\$ 85,000	\$ 95,000
Between one and two years	-	40,000
Between two and three years	-	20,000
	\$ 85,000	\$ 155,000

Conditional Pledges

At September 30, 2019 and 2018, the Organization was awarded conditional grants up to \$80,000 and \$260,000, respectively, and will be recognized as revenue in the financial statements once certain criteria are met by the Organization as defined in applicable agreements.

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at September 30, 2019 and 2018:

	2019	2018
Startup of new Camp Kesem chapters	\$ -	\$ 40,000
Time restricted	85,000	125,000
	\$ 85,000	\$ 165,000

The release of net assets with donor restrictions of \$115,000 and \$313,333 during the years ended September 30, 2019 and 2018, respectively, related to the startup of new Camp Kesem chapters as well as expiration of time restrictions.

Camp Kesem National
NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE G - CONTRIBUTED SERVICES AND GIFTS IN-KIND

The Organization received donated goods and services during the years ended September 30, 2019 and 2018 related to legal and other services, and camp and event supplies. The fair market value of these donations for the year ending September 30, 2019 and 2018 was \$13,317 and \$32,556, respectively. These amounts were recorded as both revenues and expenses in the accompanying statements of activities.

NOTE H - FUNCTIONAL EXPENSES

Expenses for the year ended September 30, 2019 are as follows:

	<u>Program</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
Payroll and related expenses	\$ 1,789,712	\$ 747,207	\$ 517,615	\$ 3,054,534
Conferences and meetings	40,142	12,964	52,041	105,147
Technology	122,314	46,598	83,197	252,109
Dues and licenses	1,660	7,141	472	9,273
Fundraising and events		1,583,831		1,583,831
Insurance - general	102,674	11,808	15,495	129,977
Office	216,752	64,559	21,026	302,337
Professional fees	3,149	61,036	236,843	301,028
Program materials	6,565,794	2,206	-	6,568,000
Travel	356,517	142,575	45,370	544,462
	<u>\$ 9,198,714</u>	<u>\$ 2,679,925</u>	<u>972,059</u>	<u>\$ 12,850,698</u>

Camp Kesem National
NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE H - FUNCTIONAL EXPENSES (Continued)

Expenses for the year ended September 30, 2018 are as follows:

	<u>Program</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
Payroll and related expenses	\$ 1,746,366	\$ 755,734	\$ 141,370	\$ 2,643,470
Conferences and meetings	100,617	26,570	13,340	140,527
Technology	59,932	51,601	89,752	201,285
Dues and licenses	6,943	-	-	6,943
Fundraising and events	-	1,419,250	-	1,419,250
Insurance - general	57,727	20,684	51,542	129,953
Office	191,766	60,697	25,223	277,686
Professional fees	43,758	1,728	32,255	77,741
Program materials	5,278,706	169	12,202	5,291,077
Travel	251,037	117,733	26,929	395,699
	<u>\$ 7,736,852</u>	<u>\$ 2,454,166</u>	<u>\$ 392,613</u>	<u>\$ 10,583,631</u>

NOTE I - CONCENTRATION OF CREDIT RISK

The Organization maintains its cash and cash equivalents balances at two financial institutions. These cash balances are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. The Organization may, from time to time, have balances in excess of insured deposit limits. The total uninsured cash was approximately \$6,113,000 as of September 30, 2019.

Camp Kesem National
NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

NOTE J - EMPLOYEE BENEFIT PLAN

Effective January 1, 2018, the Organization started sponsoring a 403(B) plan that covers all eligible employees subject to certain requirements, as defined in the agreement. Under the plan, a participating employee may defer pre-tax contributions subject to IRS salary deferral limits. The Organization may make discretionary profit sharing contributions. No profit sharing contributions were made or accrued in 2019 or 2018.

NOTE K - CONTINGENCIES

The Organization is subject to claims and lawsuits that arise in the course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits, after considering the organization's insurance coverage, will not have a material adverse effect on the financial position, change in net assets and cash flows of the Organization.

NOTE L - SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 5, 2020, the date that these financial statements were available to be issued. Management has determined that no events or transactions have occurred subsequent to the statement of financial position date that require additional disclosure in the financial statements.