

Camp Kesem National

Financial Statements and Independent Auditors' Report

September 30, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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.

MILLER, COOPER & CO., LTD.

Miller, Cooper & Co., Ltd.

Certified Public Accountants

Deerfield, Illinois
February 3, 2021

FINANCIAL STATEMENTS

Camp Kesem National
STATEMENTS OF FINANCIAL POSITION
September 30, 2020 and 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 8,962,582	\$ 6,575,091
Contributions receivable, net	40,914	85,000
Event deposits	134,734	232,550
Prepaid expenses	723,499	221,491
Other current assets	-	48,988
Total current assets	<u>9,861,729</u>	<u>7,163,120</u>
OTHER ASSETS	<u>670</u>	<u>670</u>
	<u>\$ 9,862,399</u>	<u>\$ 7,163,790</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
LIABILITIES		
Accounts payable	\$ 65,263	\$ 283,036
Accrued expenses	154,227	261,256
Unearned revenue	-	135,650
Total current liabilities	<u>219,490</u>	<u>679,942</u>
NOTE PAYABLE	<u>595,907</u>	<u>-</u>
Total liabilities	<u>815,397</u>	<u>679,942</u>
NET ASSETS		
Without donor restrictions	8,931,087	6,398,848
With donor restrictions	115,915	85,000
Total net assets	<u>9,047,002</u>	<u>6,483,848</u>
	<u>\$ 9,862,399</u>	<u>\$ 7,163,790</u>

The accompanying notes are an integral part of these statements.

Camp Kesem National
STATEMENTS OF ACTIVITIES
For the years ended September 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support						
Grants	\$ 767,644	\$ -	\$ 767,644	\$ 363,369	\$ -	\$ 363,369
Contributions	6,615,630	90,915	6,706,545	9,967,856	35,000	10,002,856
Contributions in-kind	46,687	-	46,687	13,317	-	13,317
Special events	1,619,391	-	1,619,391	1,898,380	-	1,898,380
Less: cost of direct benefit to donors	(450,431)	-	(450,431)	(633,635)	-	(633,635)
Special events, net	1,168,960	-	1,168,960	1,264,745	-	1,264,745
Interest income	4,817	-	4,817	4,135	-	4,135
Net assets released from restrictions	60,000	(60,000)	-	115,000	(115,000)	-
Total revenues and other support	<u>8,663,738</u>	<u>30,915</u>	<u>8,694,653</u>	<u>11,728,422</u>	<u>(80,000)</u>	<u>11,648,422</u>
Expenses						
Program	3,594,303	-	3,594,303	9,198,714	-	9,198,714
Fundraising	1,474,325	-	1,474,325	2,046,290	-	2,046,290
General and administrative	1,062,871	-	1,062,871	972,059	-	972,059
Total expenses	<u>6,131,499</u>	<u>-</u>	<u>6,131,499</u>	<u>12,217,063</u>	<u>-</u>	<u>12,217,063</u>
CHANGE IN NET ASSETS	2,532,239	30,915	2,563,154	(488,641)	(80,000)	(568,641)
Net assets, beginning 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>
Net assets, end of year	<u>\$ 8,931,087</u>	<u>\$ 115,915</u>	<u>\$ 9,047,002</u>	<u>\$ 6,398,848</u>	<u>\$ 85,000</u>	<u>\$ 6,483,848</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 2,563,154	\$ (568,641)
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	-	39,114
Bad debt expense	75,950	-
Changes in assets		
Contributions receivable	(31,864)	70,000
Event deposits	97,816	(15,395)
Prepaid expenses	(502,008)	(91,629)
Other current assets	48,988	(47,562)
Changes in liabilities		
Accounts payable	(217,773)	31,339
Accrued expenses	(107,029)	7,282
Unearned revenue	(135,650)	19,850
Net cash provided by (used in) operating activities	<u>1,791,584</u>	<u>(555,642)</u>
Cash flows from financing activities		
Proceeds from note payable	<u>595,907</u>	<u>-</u>
Net cash provided by financing activities	<u>595,907</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,387,491	(555,642)
Cash and cash equivalents, beginning of year	<u>6,575,091</u>	<u>7,130,733</u>
Cash and cash equivalents, end of year	<u><u>\$ 8,962,582</u></u>	<u><u>\$ 6,575,091</u></u>

The accompanying notes are an integral part of these statements.

Camp Kesem National
NOTES TO FINANCIAL STATEMENTS
September 30, 2020 and 2019

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, whereby 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, 2020 and 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Contributions Receivable

Contributions 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 carrying amount of contributions receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. The Organization closely reviews all outstanding receivables and follows up on delinquent accounts. Recoveries of balances written off are recognized when received. The allowance for doubtful accounts was \$40,000 at September 30, 2020. There was no allowance at September 30, 2019.

4. Conditional Contributions

At September 30, 2019, the Organization was awarded conditional grants up to \$80,000, \$40,000 of which was recognized as revenue in 2020 as certain criteria was met by the Organization as defined in applicable agreements. The criteria for the remaining \$40,000 was not met by the Organization and no revenue was recognized. There were no remaining conditional contributions at September 30, 2020.

5. Unearned Revenue

Unearned revenue is comprised of income from donors related to the fair market value for benefits to be received from sponsorships for fundraising events received in advance of the period in which the event occurs. The Organization recognizes revenues when the related events occur.

Camp Kesem National
NOTES TO FINANCIAL STATEMENTS
September 30, 2020 and 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2020 and 2019, 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.

Camp Kesem National
NOTES TO FINANCIAL STATEMENTS
September 30, 2020 and 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 G).

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. The carrying amount of the note payable approximates fair value because the interest rate is a fixed rate based on current rates offered to the Organization for debt with similar terms and maturities.

Camp Kesem National
NOTES TO FINANCIAL STATEMENTS
September 30, 2020 and 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Fair Value of Financial Instruments (Continued)

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.

12. Significant Accounting Policy Adopted in the Current Year

Contributions Received and Contributions Made

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. Adoption of this standard did not result in a material change in the timing or amount of revenue recognized, and therefore the adoption of this standard did not have a material impact on the financial position, result of operations, or business practices of the Organization as of and for the year ended September 30, 2020.

Camp Kesem National
NOTES TO FINANCIAL STATEMENTS
September 30, 2020 and 2019

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 and has issued subsequent amendments to this guidance. 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, 2019, 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, 2021 financial statements and thereafter. Management is currently evaluating the effect that ASU 2014-09 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, 2021, and should be applied using a modified retrospective approach.

ASU 2016-02 is effective for the Organization's September 30, 2023 financial statements and thereafter. Management is currently evaluating the effect that ASU 2016-02 will have on the Organization's financial statements.

Camp Kesem National
NOTES TO FINANCIAL STATEMENTS
September 30, 2020 and 2019

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.

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 statement of financial position date to meet general expenditures, as of September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 8,962,582	\$ 6,575,091
Contributions receivable	<u>40,914</u>	<u>85,000</u>
 Financial assets available to meet general expenditures over the next twelve months	 <u>\$ 9,003,496</u>	 <u>\$ 6,660,091</u>

Camp Kesem National
NOTES TO FINANCIAL STATEMENTS
September 30, 2020 and 2019

NOTE D - NOTE PAYABLE

In 2020, the Organization entered into a note payable agreement totaling \$595,907 that bears interest at 1.00%, matures in April 2022, and is eligible for forgiveness subject to the provisions of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). For any amounts that are not forgiven, principal and interest payments will begin in equal installments after a deferral period, which is the earlier of the Small Business Administration (SBA) determination of forgiveness (or denial of forgiveness) or 10 months after the end of the covered period as defined in the CARES Act. This agreement is not collateralized. The total amount outstanding as of September 30, 2020 was \$595,907.

NOTE E - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Purpose restricted	\$ 75,000	\$ -
Time restricted	<u>40,915</u>	<u>85,000</u>
	<u>\$ 115,915</u>	<u>\$ 85,000</u>

The release of net assets with donor restrictions of \$60,000 and \$115,000 during the years ended September 30, 2020 and 2019, respectively, related to the startup of new Camp Kesem chapters as well as expiration of time restrictions.

NOTE F - CONTRIBUTED SERVICES AND GIFTS IN-KIND

The Organization received donated goods and services during the years ended September 30, 2020 and 2019 related to legal and other services, and camp and event supplies. The fair market value of these donations for the year ending September 30, 2020 and 2019 was \$141,618 and \$13,317, respectively. These amounts were recorded as both revenues and expenses in the accompanying statements of activities.

Camp Kesem National
NOTES TO FINANCIAL STATEMENTS
September 30, 2020 and 2019

NOTE G - FUNCTIONAL EXPENSES

Expenses for the year ended September 30, 2020 are as follows:

	<u>Program</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
Payroll and related expenses	\$ 1,814,797	\$ 635,211	\$ 713,866	\$ 3,163,874
Bad debt expense	40,000	35,950	-	75,950
Conferences, meetings and training	660,478	2,552	1,591	664,621
Technology	129,699	41,949	94,849	266,497
Dues and licenses	83	10,927	-	11,010
Fundraising and events	-	568,571	-	568,571
Insurance - general	44,987	9,501	20,010	74,498
Office	267,501	45,621	13,286	326,408
Professional fees	31,708	42,604	213,222	287,534
Program materials	491,440	7,659	680	499,779
Travel	113,610	73,780	5,367	192,757
Total operating expenses	3,594,303	1,474,325	1,062,871	6,131,499
Special events	-	450,431	-	450,431
	<u>\$ 3,594,303</u>	<u>\$ 1,924,756</u>	<u>1,062,871</u>	<u>\$ 6,581,930</u>

Camp Kesem National
NOTES TO FINANCIAL STATEMENTS
September 30, 2020 and 2019

NOTE G - FUNCTIONAL EXPENSES (Continued)

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, meetings and training	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	-	950,196	-	950,196
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
Total operating expenses	9,198,714	2,046,290	972,059	12,217,063
Special events	-	633,635	-	633,635
	<u>\$ 9,198,714</u>	<u>\$ 2,679,925</u>	<u>\$ 972,059</u>	<u>\$ 12,850,698</u>

NOTE H - RISKS AND UNCERTAINTIES

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 \$8,410,000 as of September 30, 2020.

Camp Kesem National
NOTES TO FINANCIAL STATEMENTS
September 30, 2020 and 2019

NOTE H - RISKS AND UNCERTAINTIES (Continued)

COVID-19 Pandemic

The indirect and direct impact of COVID-19 on the Organization's finances, operations, donors, volunteers, student leaders and camper families is not yet known. Management will continue to monitor the effects of COVID-19 and attempt to mitigate against any significant impact to the Organization, its operations and its finances. In addition, out of an abundance of caution for the Organization's families' safety, the Organization has suspended its in-person camp season for 2020 and shifted to a virtual summer camp for its campers. The Organization will continue to evaluate the benefits and risks of resuming any in-person camp activity in the next fiscal year in accordance with local, state and national guidelines, as well as with recommendations from the Centers for Disease Control and Prevention (CDC). The Organization will keep its constituents informed of any updates or changes in the new fiscal year.

NOTE I - 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 2020 or 2019.

NOTE J - 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 K - RECLASSIFICATIONS

Certain reclassifications have been made to the 2019 statement of activities to conform with the 2020 presentation. These reclassifications have no effect on net assets or the change in net assets in the financial statements.

Camp Kesem National
NOTES TO FINANCIAL STATEMENTS
September 30, 2020 and 2019

NOTE L - SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 3, 2021, 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.