

JESSIE REES FOUNDATION

FINANCIAL STATEMENTS

For the Years Ended December 31, 2019 and 2018

with

INDEPENDENT AUDITOR'S REPORT THEREON

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Jessie Rees Foundation
Irvine, California

We have audited the accompanying financial statements of Jessie Rees Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jessie Rees Foundation as of December 31, 2019 and 2018, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Wertz & Company, LLP

Wertz & Company, LLP

Irvine, California
July 1, 2020

JESSIE REES FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

ASSETS	2019	2018
Current assets:		
Cash	\$ 1,152,522	\$ 1,235,807
Cash restricted to program	205,000	-
Contributions receivable	27,870	11,616
Other current assets	9,421	9,421
Total current assets	1,394,813	1,256,844
Property and equipment, net	167,945	227,404
Total assets	\$ 1,562,758	\$ 1,484,248
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 127,695	\$ 71,894
Accrued expenses	38,967	30,771
Total current liabilities	166,662	102,665
Net assets:		
Without donor restrictions	1,160,529	1,374,967
With donor restrictions	235,567	6,616
Total net assets	1,396,096	1,381,583
Total liabilities and net assets	\$ 1,562,758	\$ 1,484,248

See accompanying notes to financial statements

JESSIE REES FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Contributions	\$ 2,920,523	\$ 1,395,924	\$ 4,316,447
Special events revenue	301,077	-	301,077
Less: costs of direct benefits to donors	(135,780)	-	(135,780)
Interest income	13,987	-	13,987
Net assets released from restrictions	<u>1,166,973</u>	<u>(1,166,973)</u>	<u>-</u>
 Total revenues and other support	 4,266,780	 228,951	 4,495,731
Expenses:			
Program services	3,664,965	-	3,664,965
Management and general	254,152	-	254,152
Fundraising	<u>562,101</u>	<u>-</u>	<u>562,101</u>
 Total expenses	 <u>4,481,218</u>	 <u>-</u>	 <u>4,481,218</u>
 Increase (decrease) in net assets	 (214,438)	 228,951	 14,513
 Net assets at beginning of year	 <u>1,374,967</u>	 <u>6,616</u>	 <u>1,381,583</u>
 Net assets at end of year	 <u>\$ 1,160,529</u>	 <u>\$ 235,567</u>	 <u>\$ 1,396,096</u>

See accompanying notes to financial statements

JESSIE REES FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Contributions	\$ 3,988,859	\$ -	\$ 3,988,859
Special events revenue	223,275	-	223,275
Less: costs of direct benefits to donors	(94,063)	-	(94,063)
Interest income	9,135	-	9,135
Net assets released from restrictions	<u>9,340</u>	<u>(9,340)</u>	<u>-</u>
 Total revenues and other support	 4,136,546	 (9,340)	 4,127,206
Expenses:			
Program services	2,907,444	-	2,907,444
Management and general	353,320	-	353,320
Fundraising	<u>561,213</u>	<u>-</u>	<u>561,213</u>
 Total expenses	 <u>3,821,977</u>	 <u>-</u>	 <u>3,821,977</u>
 Increase (decrease) in net assets	 314,569	 (9,340)	 305,229
 Net assets at beginning of year	 <u>1,060,398</u>	 <u>15,956</u>	 <u>1,076,354</u>
 Net assets at end of year	 <u>\$ 1,374,967</u>	 <u>\$ 6,616</u>	 <u>\$ 1,381,583</u>

See accompanying notes to financial statements

JESSIE REES FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

	Program Services		Supporting Services			Total Program and Supporting Services
	Encourage Kids/Families	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Advertising and promotion	\$ 96,166	\$ 96,166	\$ -	\$ -	\$ -	\$ 96,166
Bank and merchant charges	-	-	-	50,345	50,345	50,345
Conferences, conventions, and meetings	17,727	17,727	-	4,559	4,559	22,286
Depreciation	80,761	80,761	8,698	-	8,698	89,459
Donor relations	-	-	-	41,548	41,548	41,548
Dues and subscriptions	2,895	2,895	410	-	410	3,305
Equipment rental	18,207	18,207	-	-	-	18,207
Gifts	4,100	4,100	-	-	-	4,100
Information technology	104,975	104,975	-	500	500	105,475
Insurance	63,156	63,156	9,436	14,358	23,794	86,950
Legal fees	43,206	43,206	64,809	-	64,809	108,015
Licenses and fees	1,887	1,887	3,887	75	3,962	5,849
Miscellaneous	12,554	12,554	2,435	7,634	10,069	22,623
Office	2,263	2,263	9,834	-	9,834	12,097
Postage and shipping	394,431	394,431	118	1,283	1,401	395,832
Printing and copying	8,111	8,111	-	20,092	20,092	28,203
Professional fees	81,479	81,479	32,675	33,167	65,842	147,321
Program supplies and expenses	1,808,258	1,808,258	-	500	500	1,808,758
Rent	121,826	121,826	30,457	-	30,457	152,283
Repairs and maintenance	-	-	490	-	490	490
Salaries and payroll taxes	621,297	621,297	82,610	215,238	297,848	919,145
Special events	16,380	16,380	-	172,802	172,802	189,182
Telephone and internet	13,804	13,804	5,887	-	5,887	19,691
Travel	141,856	141,856	-	-	-	141,856
Utilities	9,626	9,626	2,406	-	2,406	12,032
	<u>\$ 3,664,965</u>	<u>\$ 3,664,965</u>	<u>\$ 254,152</u>	<u>\$ 562,101</u>	<u>\$ 816,253</u>	<u>\$ 4,481,218</u>

See accompanying notes to financial statements

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

	Program Services		Supporting Services			Total Program and Supporting Services
	Encourage Kids/Families	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Advertising and promotion	\$ 10,150	\$ 10,150	\$ -	\$ -	\$ -	\$ 10,150
Bank and merchant charges	15,179	15,179	70	25,637	25,707	40,886
Depreciation	79,272	79,272	9,143	-	9,143	88,415
Donor relations	34,724	34,724	646	4,927	5,573	40,297
Dues and subscriptions	400	400	985	-	985	1,385
Equipment rental	16,599	16,599	-	-	-	16,599
Gifts	1,800	1,800	-	20,167	20,167	21,967
Information technology	100,470	100,470	-	1,725	1,725	102,195
Insurance	53,391	53,391	24,168	11,727	35,895	89,286
Legal fees	99,026	99,026	148,538	-	148,538	247,564
Licenses and fees	375	375	3,776	100	3,876	4,251
Office	1,734	1,734	25,742	-	25,742	27,476
Postage and shipping	230,190	230,190	102	-	102	230,292
Printing and copying	9,612	9,612	1,620	12,604	14,224	23,836
Professional fees	101,121	101,121	14,695	31,302	45,997	147,118
Program supplies and expenses	1,353,088	1,353,088	-	9,336	9,336	1,362,424
Rent	103,771	103,771	25,943	-	25,943	129,714
Repairs and maintenance	13,329	13,329	(459)	-	(459)	12,870
Salaries and payroll taxes	532,503	532,503	95,657	198,095	293,752	826,255
Special events	10,553	10,553	-	245,593	245,593	256,146
Telephone and internet	13,733	13,733	1,987	-	1,987	15,720
Travel	126,424	126,424	707	-	707	127,131
	<u>\$ 2,907,444</u>	<u>\$ 2,907,444</u>	<u>\$ 353,320</u>	<u>\$ 561,213</u>	<u>\$ 914,533</u>	<u>\$ 3,821,977</u>

See accompanying notes to financial statements

JESSIE REES FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 14,513	\$ 305,229
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	89,459	88,415
Noncash contributions	(30,000)	-
Changes in operating assets and liabilities:		
Contributions receivable	(16,254)	6,840
Prepaid expenses	-	9,348
Accounts payable	55,801	47,494
Accrued expenses	<u>8,196</u>	<u>(23,972)</u>
Net cash provided by operating activities	121,715	433,354
Cash flows from investing activities:		
Purchases of property and equipment	<u>-</u>	<u>(77,708)</u>
Net cash used in investing activities	<u>-</u>	<u>(77,708)</u>
Net increase in cash	121,715	355,646
Cash and restricted cash at beginning of year	<u>1,235,807</u>	<u>880,161</u>
Cash and restricted cash at end of year	<u>\$ 1,357,522</u>	<u>\$ 1,235,807</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid during the year for income taxes	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements

NOTE 1 – GENERAL**Organization and Nature of Operations**

Jessie Rees Foundation (“Organization”) was incorporated in Colorado on April 20, 2011 for the purpose of ensuring every child and family impacted by childhood cancer has the support and encouragement to never ever give up. The Organization fulfills their mission by connecting with courageous families, bringing awareness to their stories, providing them helpful resources and sending them continuous doses of encouragement throughout their journey. The Organization is supported primarily through donor contributions. The Organization supports families in the United States and worldwide from their office in Irvine, California.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of Presentation**

The financial statements have been prepared using the accrual basis of accounting whereby revenues are recognized when they are earned, not when cash is received, and expenses are recognized when incurred, not when cash is disbursed.

The Organization classifies its net assets, revenues, gains, expenses, and losses as without donor restrictions or with donor restrictions based on the following criteria:

- Net assets without donor restrictions represent funds available for operations that are not otherwise limited by donor-imposed restrictions.
- Net assets with donor restrictions represent funds subject to specific donor-imposed restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions when the donor restrictions are satisfied.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Significant estimates made by management include, but are not limited to, fair market value of in-kind donations and the realization of property and equipment through future operations. Actual results could differ from those estimates.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all investments with a maturity of three months or less to be cash equivalents.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**Cash in Excess of Insured Limits**

At December 31, 2019 and 2018, the Organization had approximately \$511,000 and \$460,000 respectively, held banks in excess of the Federal Deposit Insurance Corporation's (FDIC) insurance limit.

Contributions Receivable

Contributions receivable consist of unconditional promises to give and are stated at their estimated realizable value. Management monitors outstanding balances and writes off account balances that it considers uncollectible to an allowance account. The allowance for doubtful accounts was \$0 at both December 31, 2019 and 2018.

Property and Equipment

The Organization capitalizes acquisitions of property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 15 years.

Maintenance and repairs are charged to operations when incurred. Betterments and renewals of a major nature are capitalized. Gains or losses are recognized upon sale or disposal of assets.

Contributions

Contributions are recognized when received or unconditionally pledged. All contributions are available for unrestricted use unless specifically restricted by the donor. Donor-restricted contributions are reported as increases in net asset with donor restrictions, depending on the nature of the restrictions. When the stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

In-Kind Contributions

The Organization records the value of donated goods when there is an objective basis available to measure their value. Donated goods are reflected as contributions revenues in the accompanying statements at their estimated values at the date of receipt.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUEDContributed Services

The organization recognizes the contribution of services when the services received either create or enhance a nonfinancial asset, or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Such contributed services are recorded at fair value at the date of donation.

In addition, the Organization utilizes the services of many volunteers throughout the year, but these services do not meet the criteria for recognition of contributed services. The organization received approximately 24,000 and 22,000 volunteer hours, respectively, during the years ended December 31, 2019 and 2018.

Allocation of Functional Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that are allocated include rent, which is allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

Advertising Costs

The Organization expenses advertising costs as incurred. Advertising costs for the years ended December 31, 2019 and 2018 totaled \$96,166 and \$10,150, respectively.

Income Taxes

The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and from California income taxes under Section 23701(d) of the California Bank and Corporation Tax Law. The Organization is not a private foundation. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation.

Date of Management's Review

Management has evaluated subsequent events through July 1, 2020, which is the date the financial statements were available to be issued.

NOTE 3 – LIQUIDITY CONSIDERATIONS

The Organization has \$1,164,825 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure, consisting of cash of \$1,152,522 and contributions receivable that will result in collections of cash of \$12,303. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The contributions receivable are expected to be collected within one year. The Organization has a policy to structure its financial assets to be available to meet its general expenditures, liabilities, and other obligations as they become due.

NOTE 4 – CASH AND RESTRICTED CASH

On occasion, the Organization receives donations restricted for program use. The following is a reconciliation of cash and restricted cash reported within the statement of net assets that sum to the total of the same such amounts shown in the statements of cash flows as of December 31:

	<u>2019</u>	<u>2018</u>
Cash	\$ 1,152,522	\$ 1,235,807
Restricted cash	<u>205,000</u>	<u>-</u>
Total cash and restricted cash	<u>\$ 1,357,522</u>	<u>\$ 1,235,807</u>

NOTE 5 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows at December 31:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 21,643	\$ 11,616
Receivable in one to five years	6,227	-
Receivable in more than five years	<u>-</u>	<u>-</u>
Total contributions receivable	<u>\$ 27,870</u>	<u>\$ 11,616</u>

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Furniture	\$ 5,483	\$ 5,483
Equipment	33,134	33,134
Vehicles	106,001	76,001
Leasehold improvements	70,006	70,006
Software	<u>207,780</u>	<u>207,780</u>
	422,404	392,404
Less accumulated depreciation	<u>(254,459)</u>	<u>(165,000)</u>
Property and equipment, net	<u>\$ 167,945</u>	<u>\$ 227,404</u>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$89,459 and \$88,415, respectively.

NOTE 7 – CONTRIBUTED SERVICES

The organization recognizes contribution revenue for certain services at the fair value of those services. Those services include the following at December 31:

	<u>2019</u>	<u>2018</u>
Program services:		
Legal services	\$ 42,006	\$ 95,426
Advertising	36,000	-
Management and general:		
Legal services	<u>63,009</u>	<u>143,138</u>
Total contributed services	<u>\$ 141,015</u>	<u>\$ 238,564</u>

NOTE 8 – COMMITMENTS AND CONTINGENCIES

The Organization leased a facility under an operating lease agreement on a month-to-month basis. The lease called for monthly rent payments of \$5,000. Additionally, the lessor contributed \$5,000 a month to the Organization, effectively allowing for free use of the facilities by the organization. The total fair value of the use of the facilities for the year ended December 31, 2018 was \$9,135, which is recorded as contribution revenue and rent expense in the statement of activities. The lease terminated in January 2018.

NOTE 8 – COMMITMENTS AND CONTINGENCIES, CONTINUED

The Organization leases a facility under a non-cancelable operating lease agreement, expiring in January 2021. Monthly rent as of December 31, 2019 was \$10,285. The lease contains provisions for annual rent increases. Rent expense under this lease for the years ended December 31, 2019 and 2018 was \$123,027 and \$105,548, respectively.

Estimated future minimum lease payments over the terms of the aforementioned lease is as follows for the years ending December 31:

2020	\$ 128,000
2021	<u>11,000</u>
	<u>\$ 139,000</u>

NOTE 9 – EMPLOYEE BENEFIT PLAN

During the year ended December 31, 2018, the Organization adopted a defined contribution 403(b) benefit plan (the "Plan") for all eligible employees. The Plan permits participants to make contributions up to amounts allowed under federal law. The Plan provides a matching provision at the employer's discretion. Employer contributions vest at the rate of 25% per year after the completion of one year of service and 25% annually thereafter. The Organization made \$11,129 and \$8,247, respectively, in elective matching contributions to the Plan during the years ended December 31, 2019 and 2018.

NOTE 10 – SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization characterized a novel strain of coronavirus (COVID-19) as a global pandemic. In addition, several states in the U.S., including California, where we are headquartered, have declared a state of emergency. Although the Organization is continuing to monitor and assess the effects of the COVID-19 pandemic on its financial condition and results of operations, the ultimate impact of the COVID-19 outbreak is highly uncertain and cannot be reasonably estimated at this time.

Subsequent to year end, the Organization applied for and was approved a \$172,100 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. The Company is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government