

**KARAM FOUNDATION, NFP AND AFFILIATE**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Karam Foundation, NFP and Affiliate  
Lake Forest, Illinois

We have audited the accompanying consolidated financial statements of KARAM FOUNDATION, NFP (an Illinois nonprofit Foundation) AND AFFILIATE, (a Turkish Association) (collectively "the Foundation") which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of KARAM FOUNDATION, NFP AND AFFILIATE as of December 31, 2018 and 2017, and the changes in their consolidated net assets and their consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Correction of Error

As discussed in Note 8 to the financial statements, management discovered during the current year that there was an understatement of net assets released from restriction for the year ended December 31, 2017. Accordingly, these amounts have been restated in the 2017 financial statements as well as the amounts for net assets with and without donor restriction as of December 31, 2017. Our opinion is not modified with respect to that matter.

*Warady & Davis LLP*

July 3, 2019

## STATEMENTS OF FINANCIAL POSITION

As of December 31	2018	Restated 2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,739,754	\$ 2,338,562
Contributions Receivable	189,906	117,730
Unconditional Promises to Give	—	316,000
Scents of Syria Inventory	20,689	32,464
Other Inventory	4,713	6,486
Prepaid Expenses	26,126	20,412
Total Current Assets	<u>1,981,188</u>	<u>2,831,654</u>
<b>OTHER ASSETS</b>		
Deposit	10,895	12,167
<b>PROPERTY AND EQUIPMENT,</b>		
net of Accumulated Depreciation of \$78,770 and \$29,580	273,362	173,700
	<u>\$ 2,265,445</u>	<u>\$ 3,017,521</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 17,259	\$ 52,609
Accrued Payroll	54,363	26,272
Grants Payable	—	50,000
Deferred Rent	6,984	—
Total Current Liabilities	<u>78,606</u>	<u>128,881</u>
<b>NET ASSETS</b>		
Without Donor Restriction	1,726,861	2,071,175
With Donor Restriction	459,978	817,465
	<u>2,186,839</u>	<u>2,888,640</u>
	<u>\$ 2,265,445</u>	<u>\$ 3,017,521</u>

## STATEMENTS OF ACTIVITIES

For the Years Ended December 31	2018			2017 (Restated)		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
<b>SUPPORT AND REVENUES</b>						
Grants and Contributions	\$ 1,253,506	\$ 1,785,289	\$ 3,038,795	\$ 2,077,091	\$ 1,709,936	\$ 3,787,027
Special Event Revenue						
Gross Event Revenues	74,875		74,875	109,326		109,326
Less: Direct Expenses	(17,040)		(17,040)	(54,895)		(54,895)
Net Special Events	57,835		57,835	54,431		54,431
Program Revenue						
Scents of Syria	35,113		35,113	26,577		26,577
Product Sales,						
net of Cost of Sales of \$4,642 and \$1,919	8,187		8,187	6,385		6,385
Other Revenues and Losses						
Grant Forfeiture			—	100,000		100,000
Loss on Foreign Currency Translation	(5,390)		(5,390)	(9,488)		(9,488)
Total Other Revenues and Losses	(5,390)		(5,390)	90,512		90,512
Miscellaneous Income	2,714		2,714	2,286		2,286
	1,351,965	1,785,289	3,137,254	2,257,282	1,709,936	3,967,218
Net Assets Released from Restriction	2,142,776	(2,142,776)	—	1,413,138	(1,413,138)	—
Total Support and Revenues	3,494,741	(357,487)	3,137,254	3,670,420	296,798	3,967,218
<b>FUNCTIONAL EXPENSES</b>						
Program Services	3,094,357		3,094,357	2,269,154		2,269,154
Support Services						
Management and General	539,692		539,692	260,788		260,788
Fundraising	205,006		205,006	273,250		273,250
Total Expenses	3,839,055		3,839,055	2,803,192		2,803,192
CHANGE IN NET ASSETS	(344,314)	(357,487)	(701,801)	867,228	296,798	1,164,026
Net Assets, Beginning of Year	2,071,175	817,465	2,888,640	1,203,947	520,667	1,724,614
<b>NET ASSETS, ENDING</b>	\$ 1,726,861	\$ 459,978	\$ 2,186,839	\$ 2,071,175	\$ 817,465	\$ 2,888,640

See accompanying notes.

## STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

	Program Services				Supporting Services			Total
	Innovative Education Program	Smart Aid Program	Sustainable Development Program	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and Wages.....	\$ 73,347	\$ 33,350	\$ 574	\$ 107,271	\$ 285,554	\$ 117,502	\$ 403,056	\$ 510,327
Foreign Salaries.....	309,971	113,395	3,080	426,446	—	—	—	426,446
Payroll Taxes .....	8,372	3,806	66	12,244	32,592	13,411	46,003	58,247
Program Supplies.....	39,175	6,780	465	46,420	—	—	—	46,420
Grants.....	99,000	589,576	7,232	695,808	—	—	—	695,808
Foreign Teacher Stipends.....	271,540	—	—	271,540	—	—	—	271,540
Assistance to Individuals.....	44,717	598,007	—	642,724	—	—	—	642,724
Scholarships.....	361,588	—	—	361,588	—	—	—	361,588
Professional Fees.....	116,569	2,137	—	118,706	90,183	1,693	91,876	210,582
Contract Labor.....	37,464	2,100	797	40,361	—	—	—	40,361
Travel.....	61,743	11,050	156	72,949	18,749	33,996	52,745	125,694
Meals.....	18,354	5,813	771	24,938	2,348	10,802	13,150	38,088
Meetings and Conferences.....	—	—	—	—	—	2,750	2,750	2,750
Advertising and Marketing.....	11,365	—	1,598	12,963	597	13,429	14,026	26,989
Bank, Credit Card, and Transaction Fees..	—	—	—	—	30,828	878	31,706	31,706
Dues and Subscriptions.....	1,049	41	—	1,090	15,816	3,201	19,017	20,107
Information Technology.....	1,233	124	6	1,363	8,573	—	8,573	9,936
Office Expenses.....	37,419	8,285	132	45,836	13,823	668	14,491	60,327
Miscellaneous.....	3,518	1,291	300	5,109	8,057	2,290	10,347	15,456
Postage, Freight and Delivery.....	609	850	122	1,581	429	1,225	1,654	3,235
Utilities.....	12,834	6,520	450	19,804	—	—	—	19,804
Repairs and Maintenance.....	23,674	2,719	531	26,924	—	—	—	26,924
Rent Expense.....	37,827	16,412	5,471	59,710	30,067	2,962	33,029	92,739
Scents of Syria.....	—	—	20,039	20,039	—	—	—	20,039
School Transportation.....	32,028	—	—	32,028	—	—	—	32,028
Depreciation.....	35,677	10,439	799	46,915	2,076	199	2,275	49,190
<b>TOTALS</b>	<b>\$ 1,639,073</b>	<b>\$ 1,412,695</b>	<b>\$ 42,589</b>	<b>\$ 3,094,357</b>	<b>\$ 539,692</b>	<b>\$ 205,006</b>	<b>\$ 744,698</b>	<b>\$ 3,839,055</b>

See accompanying notes.

## STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

For the Year Ended December 31, 2017

	Program Services				Supporting Services			
	Innovative Education Program	Smart Aid Program	Sustainable Development Program	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and Wages.....	\$ 82,322	\$ 32,574	\$ 11,335	\$ 126,231	\$ 95,892	\$ 170,717	\$ 266,609	\$ 392,840
Foreign Salaries.....	153,675	72,803	1,450	227,928	—	—	—	227,928
Payroll Taxes .....	6,114	2,419	842	9,375	7,122	12,679	19,801	29,176
Supplies.....	44,055	9,454	21,750	75,259	—	—	—	75,259
Grants.....	69,500	228,871	—	298,371	—	—	—	298,371
Foreign Teacher Stipends.....	82,000	—	—	82,000	—	—	—	82,000
Assistance to Individuals.....	—	835,035	—	835,035	—	—	—	835,035
Scholarships.....	194,281	—	—	194,281	—	—	—	194,281
Professional Fees.....	40,080	19,632	—	59,712	90,911	2,456	93,367	153,079
Contract Labor.....	118,933	4,069	—	123,002	—	—	—	123,002
Travel.....	33,117	5,411	—	38,528	12,128	11,889	24,017	62,545
Meals .....	8,026	2,850	37	10,913	1,744	3,063	4,807	15,720
Meetings and Conferences.....	—	—	—	—	4,988	35,240	40,228	40,228
Advertising and Marketing.....	1,797	408	550	2,755	10,032	26,958	36,990	39,745
Bank, Credit Card, and Transaction Fees.	9,835	3,506	204	13,545	810	—	810	14,355
Dues and Subscriptions.....	—	281	—	281	15,617	—	15,617	15,898
Information Technology.....	3,029	576	—	3,605	2,348	—	2,348	5,953
Office Expenses.....	39,911	10,575	651	51,137	3,083	1,787	4,870	56,007
Miscellaneous.....	735	87	—	822	5,535	8,417	13,952	14,774
Postage, Freight and Delivery.....	1,018	873	6,341	8,232	522	44	566	8,798
Utilities.....	5,159	2,205	86	7,450	—	—	—	7,450
Repairs and Maintenance.....	4,188	1,558	19	5,765	—	—	—	5,765
Rent Expense.....	3,449	11,232	35	14,716	5,449	—	5,449	20,165
Scents of Syria.....	—	—	31,093	31,093	—	—	—	31,093
School Transportation.....	24,322	—	—	24,322	—	—	—	24,322
Sponsorships.....	—	—	—	—	3,000	—	3,000	3,000
Depreciation.....	22,488	2,308	—	24,796	1,607	—	1,607	26,403
TOTALS	\$ 948,034	\$ 1,246,727	\$ 74,393	\$ 2,269,154	\$ 260,788	\$ 273,250	\$ 534,038	\$ 2,803,192

See accompanying notes.



## STATEMENTS OF CASH FLOWS

For the Years Ended December 31	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	<u>\$ (701,801)</u>	<u>\$ 1,164,026</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	49,190	26,403
Donated Equipment	—	(11,600)
Donated Stock	(1,091)	(8,462)
Proceeds from Sale of Donated Stock	1,091	8,462
(Increase) Decrease in Assets		
Contributions Receivable	(72,176)	48,714
Unconditional Promises to Give	316,000	(316,000)
Scents of Syria Inventory	11,775	(32,464)
Other Inventory	1,773	(6,486)
Prepaid Expenses	(5,714)	18,618
Deposit	1,272	(12,167)
Increase (Decrease) in Liabilities		
Accounts Payable	(35,350)	24,541
Accrued Payroll	28,091	8,858
Grants Payable	(50,000)	(239,160)
Deferred Rent	6,984	—
Total Adjustments	<u>251,845</u>	<u>(490,743)</u>
Net Cash Provided (Used) by Operating Activities	<u>(449,956)</u>	<u>673,283</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	<u>(148,852)</u>	<u>(105,491)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(598,808)</b>	<b>567,792</b>
Cash, Beginning	<u>2,338,562</u>	<u>1,770,770</u>
<b>CASH, ENDING</b>	<u><b>\$ 1,739,754</b></u>	<u><b>\$ 2,338,562</b></u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Non-Cash Operating Activities		
Donated Goods and Travel	<u>\$ 16,000</u>	<u>\$ 14,164</u>
Donated Services	<u>\$ 17,995</u>	<u>\$ 15,425</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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**NATURE OF FOUNDATION**

KARAM FOUNDATION, NFP was incorporated on July 11, 2007 and is a non-profit corporation dedicated to helping people help themselves. The Foundation seeks to restore the dignity and quality of life for people affected by conflict by eliminating barriers to success through innovative education, community-driven smart aid, and sustainable entrepreneurial development. In July 2017, the Foundation established Toplum İçin Yenilik ve Yardım Derneği, a separate legal Turkish Association headquartered in Istanbul, Turkey to facilitate the Foundation's Turkish programs. The assets and expenses of these programs are included in the Foundation's financial statements.

These two entities are collectively the "Foundation".

The majority of the Foundation's programs are conducted in Syria and Turkey. The Foundation's primary source of revenues are grants and contributions.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of management who is responsible for their integrity and objectivity. These accounting policies conform to U.S. generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

**BASIS OF ACCOUNTING**

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Revenue is recognized when earned and expenses are recognized as incurred.

**CONSOLIDATION**

The consolidated financial statements include the accounts of Karam Foundation, NFP and Toplum İçin Yenilik ve Yardım Derneği. All intercompany balances and transactions have been eliminated in consolidation.

**FINANCIAL STATEMENT PRESENTATION**

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Codification topic related to "Financial Statements of Not-for-Profit Organizations." This guidance requires the Foundation to report information regarding its financial position and activities, based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Without donor restriction - Net assets that are not subject to donor-imposed stipulations plus those resources for which temporarily donor-imposed stipulations have been satisfied. Net assets without donor restriction may be designated by action of the Board of Directors.

With donor restriction - Net assets are subject to donor-imposed stipulations that may or will be met either by actions of the Foundation (purpose restrictions) and/or the passage of time (time restrictions). As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the accompanying financial statements as net assets released from restrictions.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

## FINANCIAL STATEMENT PRESENTATION (Continued)

Revenues are reported as increases in net assets without donor restriction unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction.

## RECOGNITION OF SUPPORT, RECEIVABLE AND REVENUES

The Foundation accounts for contributions received and unconditional promises to give under the provisions of the FASB Codification topic related to contributions made and received. In accordance with the Codification, contributions are recognized as support revenue when received. Unconditional promises to give are recognized when received at the estimated present value of future cash flows, net of allowances. Contributions received are recorded as support with or without donor restriction, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with time or purpose restriction are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions. Based on managements' assessment of the individual outstanding balances and taking into consideration the age of past due accounts, an assessment of the ability to pay, as well as current relationships, management considered contributions receivable to be fully collectible at December 31, 2018 and 2017. Accordingly, no allowance for doubtful accounts for uncollectible contributions receivable was recorded.

## DONATED GOODS AND SERVICES

Donated services are recognized as revenues at their estimated fair value when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated. Donated goods are recorded at their estimated fair value at the date of donation.

In 2018, the Foundation received donated furniture and fixtures valued at \$16,000 which was granted to a family in need. Donated professional services of \$17,995 were also received in 2018.

In 2017, the Foundation received a donated vehicle valued at \$4,500 and clothing valued at \$6,050, all of which was granted to individuals and families in need. Donated professional services of \$15,425 were also received in 2017. Additionally, the Foundation received donated equipment of \$11,600, donated program supplies of \$520 and donated travel expenses of \$3,094 in 2017.

## INVENTORY

Inventories are valued at the lower of cost determined by the first-in first-out (FIFO) method or net realizable value based on selling price. At December 31, 2018, inventories consist primarily of soaps, boxes, pouches and other products handmade in Syria whose sales in the United States are considered program revenues as part of the Foundation's sustainable development program. Other inventory sales, such as tee shirts, books and cards are included in product sales on the statements of activities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****PROPERTY AND EQUIPMENT**

Property and equipment purchases of \$500 or more are recorded at cost or fair value if donated and are depreciated over their estimated useful lives of five years on a straight-line basis. The Foundation received donated equipment totaling \$11,600 in 2017. No similar donations were received in 2018. Repairs and maintenance are charged to expense when incurred.

**GRANTS PAYABLE**

The Foundation records a grant payable and a corresponding grant expense when an unconditional commitment is approved by the Foundation to fund various innovative education and smart aid projects of grantees.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing various programs and other activities are presented on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited, based on direct charges or appropriate methods determined by management. These allocation methods include allocation of personnel and any other costs deemed to be related to time and efforts expended by employees on the different functional categories and allocation of occupancy and related costs using space utilization percentages occupied by the various functions.

**CONCENTRATION OF CREDIT RISK**

The Foundation's cash balances, at times, may exceed federally-insured limits. The Foundation has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on cash.

**INCOME TAX STATUS**

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and applicable state law.

The Foundation has adopted the guidance in the FASB Codification topic related to uncertainty in income taxes which prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements uncertain tax positions that the Foundation has taken or expects to take in its tax returns. Under the guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is "more likely than not" that it is sustainable, based on its technical merits. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. The Foundation believes that it has appropriate support for the positions taken on its returns.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****ACCOUNTING PRONOUNCEMENTS**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09 (*Topic 606*): *Revenue from Contracts with Customers*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Foundation's year ending December 31, 2019. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Foundation has determined that the standard will not have a significant impact on the financial statements. The Foundation is currently gathering the appropriate information to implement the standard in a timely manner.

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of activities. Currently, leases are classified as either capital or operating, with only capital leases recognized on the statements of financial position. The reporting of lease-related expenses in the statements of activities and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Foundation's year ending December 31, 2020 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The lease standard is expected to increase assets and lease liabilities upon adoption and there is not expected to be a significant impact on expenses or cash flows.

The Foundation adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which was issued by the Financial Accounting Standards Board (FASB) in August 2016 and was effective for the Foundation's year ended December 31, 2018. ASU No. 2016-14 required significant changes to the financial reporting model of organizations that follow the FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions; changes in the way certain information is aggregated and reported by the organization, including required disclosures about the liquidity and availability of resources; and a statement of functional expenses with required disclosure of the allocation methodology. The new standard was applied on a retrospective basis. Other than these additional disclosures and name changes, no additional revisions were required.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 2—FUNCTIONAL CURRENCY, FOREIGN CURRENCY TRANSLATION AND CURRENCY EXCHANGE RATE EXPOSURE**

Based on the dominant role of the U.S. currency in the funding of the Foundation's programs and other factors, management considers the U.S. dollar to be the Foundation's functional currency. As such, the Foundation's monetary assets and liabilities held in foreign currencies are remeasured using the current rate at the balance sheet date, while nonfinancial assets and liabilities are remeasured using historical exchange rates.

Revenues and expenses that represent the allocations of historical balances, such as depreciation expense, are remeasured using the same historical exchange rates, as those of the underlying items on the balance sheet. The remaining revenues and expenses are remeasured for practical purposes using the monthly average exchange rate.

The Foundation regularly transfers significant amounts of cash from its domestic accounts to foreign petty cash accounts held in both U.S. and the local currencies of Turkey and Syria to cover expenses of operations in those countries.

The Foundation has other assets and liabilities originally denominated in these currencies as well. These results in an exposure to currency exchange losses at the time assets are disposed of and liabilities are settled due to currency exchange rate fluctuations.

**NOTE 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 statement of financial position date, are comprised of the following at December 31, 2018:

Cash .....	\$	1,739,754
Contributions Receivable .....		189,906
Donor Restricted Net Assets .....		(459,978)
	\$	<u>1,469,682</u>

As part of its liquidity management plan, the Foundation maintains sufficient cash to meet current operating needs. As indicated in the above chart, the Foundation has sufficient liquid assets to meet at least one year of expenses.

**NOTE 4—PROPERTY AND EQUIPMENT**

	<u>2018</u>	<u>2017</u>
Computer and Software .....	\$ 211,480	\$ 102,037
Leasehold Improvement .....	80,072	59,209
Furniture and Fixtures .....	35,268	16,722
Vehicles .....	25,312	25,312
	352,132	203,280
Less: Accumulated Depreciation .....	78,770	29,580
	<u>\$ 273,362</u>	<u>\$ 173,700</u>
Depreciation Expense .....	<u>\$ 49,190</u>	<u>\$ 26,403</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 5—NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restriction as of December 31 are restricted for the following

	<u>2018</u>	<u>2017</u>
Emergency Aid for Syria .....	\$ 199,615	\$ 205,806
Sponsor A Family .....	—	34,309
NSPPL Project /Emergency Aid.....	—	240,000
Aleppo School Clinic .....	—	50,000
General Smart Aid.....	203,418	201,471
Homs Academy .....	—	50,000
School Support Inside Syria.....	—	25,250
Books Not Bombs.....	—	3,684
Sustainable Development - Bakarar Fund .....	6,945	6,945
Karam Website .....	20,000	—
Part Time Major Gifts Fundraiser .....	15,000	—
Creative Partnership Consultant .....	15,000	—
Total.....	<u>\$ 459,978</u>	<u>\$ 817,465</u>

Grants and contributions with donor restrictions totaling \$2,142,776 in 2018 and \$1,413,138 in 2017 were released from grantors and contributors restrictions by incurring expenses satisfying the purpose restrictions.

**NOTE 6—RELATED PARTY TRANSACTIONS**

Contributions from officers and members of the Board of Directors and their foundations or donor-advised funds amounted to \$601,035 and \$407,130 for the years ended December 31, 2018 and 2017, respectively.

**NOTE 7—OPERATING LEASES**

The Foundation's lease for its headquarters in Lake Forest Illinois was signed in July 2016 and expired December 31, 2017 with monthly rent of \$485. The Foundation signed a new lease agreement on December 11, 2017, which is effective as of January 1, 2018 for a five-year term expiring December 21, 2022. Monthly rent for 2018 is \$3,115 per month, increasing \$215 per month per annum plus common area maintenance and taxes, with free rent for the first month of each year for the first two years. The Foundation moved into the new office in January 2018. Rent was \$41,329 for 2018 and \$5,449 for 2017.

The Foundation entered into a three-year lease agreement starting August 1, 2016 with the option to extend the lease to five years for the Karam House in Reyhanli, Turkey. The annual rent was 24,000 Turkish lira which approximates \$6,800. The Karam House is a community innovation workplace for Syrian Refugees Youth where they can learn skills in science, technology, engineering arts and mathematics. In January 2017, the lease was amended though December 2019, with a four-year renewal option. The annual rent was still 24,000 Turkish lira which approximated \$6,300 in January 2017. The rent expense was \$5,233 for 2018 and \$7,565 for 2017.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 7—OPERATING LEASES (Continued)**

In 2018, the Foundation opened another Karam House location in Istanbul, Turkey and signed another lease on May 30, 2018 for five years with the option to extend the lease for another three years. The annual rent was \$300,000 Turkish Lira which approximates \$67,131. The rent expense was \$42,134 for 2018.

Additionally, the Foundation has some small month-to-month foreign leases whose rent totaled \$4,043 in 2018.

Minimum rental commitments under non-cancelable lease agreements are as follows:

Year Ending December 31

2019 .....	\$ 97,860
2020 .....	99,270
2021 .....	101,850
2022 .....	104,418
2023 .....	<u>23,638</u>
	<u>\$ 427,036</u>

**NOTE 8—RECLASSIFICATION AND RESTATEMENT OF PRIOR PERIOD**

Management determined that the restricted support for International Humanitarian Relief – Lebanon Education Center in prior year was fully expended in 2017 and thus there should not have been purpose-restricted net assets of \$45,500. Therefore, the 2017 statement of activities was restated and net asset released from restriction in 2017 was increased by \$45,500 from \$1,367,638 to \$1,413,138. This resulted in total purpose- and time-restricted net assets of \$817,465 at December 31, 2017. This restatement has been reflected in Note 5.

In addition, \$9,488 has been reclassified from bank and credit card fees on the statement of functional expenses for the year ended December 31, 2017 and presented as a loss on foreign currency translation on the statement of activities, in order to conform to current year presentation.

Further, \$15,720 of meals, which were previously reported as part of travel expense on the statement of functional expenses for the year ended December 31, 2017 have now been presented separately, in order to conform to current year presentation.

Additionally, certain other prior year amounts have been reclassified to conform to current year presentation.

**NOTE 9—SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 3, 2019, the date which the financial statements were available for issue. There are no subsequent events which require disclosure.