

**KARAM FOUNDATION, NFP AND AFFILIATE**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

TABLE OF CONTENTS

---

---

INDEPENDENT AUDITORS' REPORT.....	3–4
-----------------------------------	-----

CONSOLIDATED FINANCIAL STATEMENTS

Statements of Financial Position .....	5
Statements of Activities.....	6
Statements of Functional Expenses.....	7–8
Statements of Cash Flows .....	9
Notes to Consolidated Financial Statements .....	10–18



## 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, 2019 and 2018, 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.

### **Emphasis of Matter**

As discussed in Note 1 under the Accounting Pronouncements section to the financial statements, the Foundation has adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

### **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, 2019 and 2018, 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.

Warady & Davis LLP

November 12, 2020

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,446,542	\$ 1,739,754
Contributions Receivable	342,370	189,906
Pledges and Grants Receivable	1,003,167	—
Scents of Syria Inventory	2,325	20,689
Other Inventory	12,982	4,713
Prepaid Expenses	36,311	26,126
Total Current Assets	<u>2,843,697</u>	<u>1,981,188</u>
<b>OTHER ASSETS</b>		
Deposit	—	10,895
Long-Term Pledges and Grants Receivable, net	<u>685,280</u>	<u>—</u>
Total Other Assets	<u>685,280</u>	<u>10,895</u>
<b>PROPERTY AND EQUIPMENT,</b>		
net of Accumulated Depreciation of \$146,861 and \$78,770	<u>251,185</u>	<u>273,362</u>
	<u>\$ 3,780,162</u>	<u>\$ 2,265,445</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 15,284	\$ 17,259
Accrued Payroll	20,731	54,363
Grants Payable	60,000	—
Deferred Rent	1,291	6,984
Total Current Liabilities	<u>97,306</u>	<u>78,606</u>
<b>LONG-TERM LIABILITIES</b>		
Deferred Rent	<u>10,311</u>	<u>—</u>
<b>NET ASSETS</b>		
Without Donor Restriction	1,960,206	1,726,861
With Donor Restriction	<u>1,712,339</u>	<u>459,978</u>
	<u>3,672,545</u>	<u>2,186,839</u>
	<u>\$ 3,780,162</u>	<u>\$ 2,265,445</u>

## CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Years Ended December 31	2019			2018		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
<b>SUPPORT AND REVENUES</b>						
Grants and Contributions	\$ 2,262,287	2,885,956	\$ 5,148,243	\$ 1,253,506	\$ 1,785,289	\$ 3,038,795
Special Event Revenue						
Gross Event Revenues	86,709		86,709	74,875		74,875
Less: Direct Expenses	(4,736)		(4,736)	(17,040)		(17,040)
Net Special Events	81,973		81,973	57,835		57,835
Program Revenue						
Scents of Syria	15,500		15,500	35,113		35,113
Product Sales,						
net of Cost of Sales of \$561 and \$4,643	848		848	8,187		8,187
Other Revenues and Losses						
Loss on Sale of Vehicle	(1,025)		(1,025)	—		—
Loss on Foreign Currency Translation	(18,088)		(18,088)	(5,390)		(5,390)
Miscellaneous Income	2,259		2,259	2,714		2,714
Total Other Revenues and Losses	(16,854)		(16,854)	(2,676)		(2,676)
	2,343,754	2,885,956	5,229,710	1,351,965	1,785,289	3,137,254
Net Assets Released from Restriction	1,633,595	(1,633,595)	—	2,142,776	(2,142,776)	—
Total Support and Revenues	3,977,349	1,252,361	5,229,710	3,494,741	(357,487)	3,137,254
<b>FUNCTIONAL EXPENSES</b>						
Program Services						
Innovative Education Program	1,450,958		1,450,958	1,639,073		1,639,073
Smart Aid Program	1,314,244		1,314,244	1,412,695		1,412,695
Sustainable Development Program	37,907		37,907	42,589		42,589
Total Program Services	2,803,109		2,803,109	3,094,357		3,094,357
Support Services						
Management and General	456,722		456,722	539,692		539,692
Fundraising	484,173		484,173	205,006		205,006
Total Support Services	940,895		940,895	744,698		744,698
Total Expenses	3,744,004		3,744,004	3,839,055		3,839,055
<b>CHANGE IN NET ASSETS</b>	233,345	1,252,361	1,485,706	(344,314)	(357,487)	(701,801)
Net Assets, Beginning of Year	1,726,861	459,978	2,186,839	2,071,175	817,465	2,888,640
<b>NET ASSETS, ENDING</b>	\$ 1,960,206	\$ 1,712,339	\$ 3,672,545	\$ 1,726,861	\$ 459,978	\$ 2,186,839

See accompanying notes.

## CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

	Program Services				Supporting Services				Total
	Innovative Education Program	Smart Aid Program	Sustainable Development Program	Total Program Services	Management and General	Fundraising	Special Event (Direct Benefit to Donors)	Total Supporting Services	
Salaries and Wages.....	\$ 61,155	\$ 19,219	\$ 5,874	\$ 86,248	\$ 188,443	\$ 188,719	\$ —	\$ 377,162	\$ 463,410
Foreign Salaries.....	414,176	130,648	—	544,824	—	—	—	—	544,824
Employee Benefits.....	43,602	14,647	95	58,344	7,322	6,550	—	13,872	72,216
Payroll Taxes .....	23,798	7,501	413	31,712	13,244	13,263	—	26,507	58,219
Program Supplies.....	—	—	—	—	—	—	—	—	—
Grants.....	—	605,000	6,535	611,535	—	—	—	—	611,535
Foreign Teacher Stipends.....	115,360	—	—	115,360	—	—	—	—	115,360
Assistance to Individuals.....	60,582	490,623	83	551,288	—	—	—	—	551,288
Scholarships.....	273,774	—	—	273,774	—	—	—	—	273,774
Professional Fees.....	152,967	—	—	152,967	55,755	2,045	—	57,800	210,767
Contract Labor.....	28,698	13,731	716	43,145	16,454	179,857	—	196,311	239,456
Travel.....	42,685	2,681	—	45,366	28,730	15,059	—	43,789	89,155
Meals.....	23,536	3,936	—	27,472	3,366	459	—	3,825	31,297
Meetings and Conferences.....	—	—	—	—	—	—	—	—	—
Advertising and Marketing.....	2,172	133	—	2,305	31,790	17,376	—	49,166	51,471
Bad Debt Expense.....	—	—	—	—	4,266	—	—	4,266	4,266
Bank, Credit Card, and Transaction Fees..	—	—	—	—	26,260	33,741	—	60,001	60,001
Dues and Subscriptions.....	1,602	—	—	1,602	18,617	10,944	—	29,561	31,163
Information Technology.....	72	—	—	72	—	—	—	—	72
Insurance .....	342	674	—	1,016	4,798	—	—	4,798	5,814
Office Expenses.....	28,683	653	—	29,336	6,683	13	—	6,696	36,032
Miscellaneous.....	184	154	—	338	11,122	2,603	—	13,725	14,063
Postage, Freight and Delivery.....	—	—	—	—	61	549	—	610	610
Utilities.....	18,058	1,077	—	19,135	7,016	2,173	—	9,189	28,324
Repairs and Maintenance.....	11,479	514	—	11,993	54	—	—	54	12,047
Rent Expense.....	74,301	4,431	—	78,732	28,865	8,939	4,736	42,540	121,272
Scents of Syria.....	—	—	19,098	19,098	—	—	—	—	19,098
School Transportation Assistance.....	21,368	2,191	—	23,559	—	—	—	—	23,559
Staff Training and Education.....	525	402	—	927	2,280	1,374	—	3,654	4,581
Depreciation.....	51,839	16,029	5,093	72,961	1,596	509	—	2,105	75,066
Less: Expenses Included in Revenues on Statement of Activities Cost of Direct Benefit to Donors							(4,736)	(4,736)	(4,736)
TOTALS	\$ 1,450,958	\$ 1,314,244	\$ 37,907	\$ 2,803,109	\$ 456,722	\$ 484,173	\$ —	\$ 940,895	\$ 3,744,004

See accompanying notes.

## CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

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	Special Event (Direct Benefit to Donors)	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	17,040	50,069	109,779
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
Less: Expenses Included in Revenues on Statement of Activities									
Cost of Direct Benefit to Donors	—	—	—	—	—	—	(17,040)	(17,040)	(17,040)
<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>\$ —</b>	<b>\$ 744,698</b>	<b>\$ 3,839,055</b>

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	<u>\$ 1,485,706</u>	<u>\$ (701,801)</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities		
Depreciation	75,066	49,190
Donated Stock	(2,674)	(1,091)
Proceeds from Sale of Donated Stock	2,674	1,091
Loss on Sale of Vehicle	1,025	—
(Increase) Decrease in Assets		
Contributions Receivable	(152,464)	(72,176)
Pledges and Grants Receivable	(1,688,447)	316,000
Scents of Syria Inventory	18,364	11,775
Other Inventory	(8,269)	1,773
Prepaid Expenses	(10,185)	(5,714)
Deposit	—	1,272
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	(1,975)	(35,350)
Accrued Payroll	(33,632)	28,091
Grants Payable	60,000	(50,000)
Deferred Rent	4,618	6,984
Total Adjustments	<u>(1,735,899)</u>	<u>251,845</u>
Net Cash Used by Operating Activities	<u>(250,193)</u>	<u>(449,956)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Vehicle	5,500	—
Purchase of Property and Equipment	<u>(48,519)</u>	<u>(148,852)</u>
Net Cash Used by Investing Activities	<u>(43,019)</u>	<u>(148,852)</u>
<b>NET DECREASE IN CASH</b>	<b>(293,212)</b>	<b>(598,808)</b>
Cash, Beginning	1,739,754	2,338,562
<b>CASH, ENDING</b>	<u><b>\$ 1,446,542</b></u>	<u><b>\$ 1,739,754</b></u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Non-Cash Operating Activities		
Security Deposit Reclassified as Leasehold Improvements	<u>\$ 10,895</u>	<u>\$ —</u>
Donated Goods and Travel	<u>\$ —</u>	<u>\$ 16,000</u>
Donated Services	<u>\$ 20,450</u>	<u>\$ 17,995</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

**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, Karam Foundation began supporting Toplum İçin Yenilik ve Yardım Derneği (Association of Innovation & Aid for Society), a separate legal Turkish Association (NGO) headquartered in Istanbul, Turkey and established in 2017 in order to carry out programs throughout Turkey to serve the Syrian refugee community. 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 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 restriction are reclassified to net assets without donor restriction and are reported in the accompanying financial statements as net assets released from restriction.

---

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 restriction. 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 and promises to give without donor restriction to be fully collectible at December 31, 2019 and 2018. Accordingly, no allowance for doubtful accounts for uncollectible contributions receivable or promises to give without donor restriction were 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 2019, the Foundation received donated professional services of \$20,450.

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.

**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, 2019, 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

---

**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. 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.

**CONCENTRATIONS****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.

Credit risk associated with contribution, pledges and grants receivable are considered to be limited due to high historical collection rates and because a significant portion of the outstanding amounts are due from Board members and foundations supportive of the Foundation's mission.

**Receivables**

Two grantors represent 59% of total contributions and pledges and grants receivable at December 31, 2019 and two grantors at December 31, 2018 represent 61%.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****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. Toplum İçin Yenilik ve Yardım Derneği is a foreign NGO and is similar to a U.S. not-for-profit organization.

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.

**ACCOUNTING PRONOUNCEMENTS**

In June 2018, the FASB issued Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance applies to all entities that receive or make contributions and clarifies the definition of an exchange transaction. The criteria for evaluating whether contributions are unconditional (and thus recognized immediately as revenue) or conditional (for which revenue recognition is delayed until the condition is met) have been clarified. The focus is whether a gift or grant agreement both (1) specifies a "barrier" that the recipient must overcome to be entitled to the resources and (2) releases the donor from its obligation to transfer resources if the barrier is not achieved. An agreement that includes both is a conditional contribution. The Foundation adopted the ASU commencing January 1, 2019.

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 ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The ASU was effective for annual reporting periods beginning after December 15, 2018, but was extended until years beginning after December 15, 2019. The new guidance will now be effective for the Organization's year ending December 31, 2020. The Foundation does not expect 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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, 2022 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.

**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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**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:

	<u>2019</u>	<u>2018</u>
Cash .....	\$ 1,446,542	\$ 1,739,754
Contributions Receivable .....	342,370	189,906
Pledges and Grants Receivable, net .....	1,688,447	—
Donor Restricted Net Assets .....	<u>(1,712,339)</u>	<u>(459,978)</u>
	<u>\$ 1,765,020</u>	<u>\$ 1,469,682</u>

As part of its liquidity management plan, the Foundation maintains sufficient cash to meet current operating needs. Assuming the subsequent year revenues are consistent with the current year's, the Foundation will have sufficient liquid assets to meet its operating expenses.

**NOTE 4—PLEDGES AND GRANTS RECEIVABLE**

Pledges and grant receivable at December 31 represent unconditional promises to give and consist of amounts receivable in:

	<u>2019</u>	<u>2018</u>
Less than One Year .....	\$ 1,003,167	\$ —
One to Five Years .....	<u>701,500</u>	<u>—</u>
	1,704,667	—
Less: Discount to Net Present Value .....	<u>16,220</u>	<u>—</u>
Net Pledges Receivable .....	1,688,447	—
Less Current Portion .....	<u>1,003,167</u>	<u>—</u>
Long-Term Portion .....	<u>\$ 685,280</u>	<u>\$ —</u>

The discount rate used in determining the net present value of unconditional promises to give is 2% for 2019. Management believes amounts are fully collectible, thus no allowance is deemed necessary.

**NOTE 5—PROPERTY AND EQUIPMENT**

	<u>2019</u>	<u>2018</u>
Computer and Software .....	\$ 244,966	\$ 211,480
Leasehold Improvement .....	90,967	80,072
Furniture and Fixtures .....	40,463	35,268
Vehicles .....	<u>21,650</u>	<u>25,312</u>
	398,046	352,132
Less: Accumulated Depreciation .....	<u>146,861</u>	<u>78,770</u>
	<u>\$ 251,185</u>	<u>\$ 273,362</u>
Depreciation Expense .....	<u>\$ 75,066</u>	<u>\$ 49,190</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 6—NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2019</u>	<u>2018</u>
Emergency Aid for Syria .....	\$ —	\$ 199,615
Karam Scholars – Student Scholarships in Jordan and Turkey .....	<b>612,940</b>	—
Karam Works – Support Refugee Adults Join the Workforce .....	<b>112,781</b>	—
Jumpstart – Support for Syrian Families Living in the U.S. ....	<b>43,153</b>	—
General Smart Aid.....	—	203,418
Support A Syrian Refugee Family - Reyhanli .....	<b>62,205</b>	—
Sustainable Development - Bakarar Fund .....	<b>6,945</b>	6,945
Karam Website .....	—	20,000
Part Time Major Gifts Fundraiser .....	—	15,000
Creative Partnership Consultant .....	<b>15,000</b>	15,000
Time Restricted.....	<b>859,315</b>	—
Total.....	<b><u>\$ 1,712,339</u></b>	<b><u>\$ 459,978</u></b>

Grants and contributions with donor restrictions totaling \$1,633,595 in 2019 and \$2,142,776 in 2018 were released from grantors and contributors restrictions by incurring expenses satisfying the purpose restrictions.

**NOTE 7—CONDITIONAL GRANTS RECEIVABLE AND PAYABLE**

In December 2019, the Foundation was awarded a \$100,000 matching grant from a private foundation donor. This grant is conditional on the Foundation raising \$200,000 with no expiration period. As of December 31, 2019, the Foundation has not fulfilled the condition to raise the matching funds and no grants receivable or revenue has been recognized. Subsequently in 2020, the donor lifted its conditional requirements in an effort to support the Foundation's transition through the impact of COVID-19 and the Foundation was awarded the grant in full.

In December 2019, the Foundation was awarded a \$75,955 grant from another donor which is paid on a reimbursement basis as the Foundation incurs qualifying expenditures. The Foundation had no expenditures in 2019, thus no reimbursement was received as the condition was not met, nor was any grants receivable or revenue recognized in 2019.

On December 16, 2019, the Foundation entered into a grant agreement to support university scholarships for Syrian students through the Karam Scholars program from January 1, 2020 through December 31, 2022. The Foundation offers students a scholarship for a period of one year (3 semesters), which is renewable if certain conditions are met. Under this agreement, the Foundation accrued \$60,000 of tuition costs as conditional grants payable at December 31, 2019, for the first semester of the 2019 – 2020 school year that was paid out in January of 2020. Also, after this first payment, all subsequent scholarships are conditional and are not expensed until the conditions are met for the remaining grant period.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 7—CONDITIONAL GRANTS RECEIVABLE AND PAYABLE (Continued)**

Future obligations associated with the Organization's scholarships payable for fiscal years subsequent to December 31, 2019 are as follows:

2020 .....	\$ 115,000
2021 .....	92,500
2022 .....	<u>15,000</u>
	<u>\$ 222,500</u>

Subsequent scholarship payments are made to awardees based on academic milestones being met, volunteer requirements, and other factors. These obligations are not accrued since conditional promises to give are not recognized until the conditions are substantially met.

**NOTE 8—RELATED PARTY TRANSACTIONS**

Contributions from officers and members of the Board of Directors and their foundations or donor-advised funds amounted to \$199,325 and \$601,035 for the years ended December 31, 2019 and 2018, respectively.

**NOTE 9—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 31, 2022. Monthly rent for 2019 is \$3,330 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 \$41,391 for 2019 and \$41,329 for 2018.

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 through December 2019, with a four-year renewal option that can be exercised for a one year period thereafter. Two of the four possible extensions have been exercised thus far. The annual rent was still 24,000 Turkish lira which approximated \$4,500 in December 2019. The rent expense was \$4,327 for 2019 and \$5,233 for 2018.

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 345,000 Turkish Lira which approximates \$58,000. The rent expense was \$66,148 for 2019 and \$42,134 for 2018 which includes the base rent plus additional taxes and fees.

Additionally, the Foundation has some small month-to-month foreign leases whose rent totaled \$4,670 in 2019 and \$4,043 for 2018.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 9—OPERATING LEASES (Continued)**

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

Year Ending December 31

2020 .....	\$ 104,525
2021 .....	105,605
2022 .....	105,673
2023 .....	24,160
2024 .....	—
	<u>\$ 339,963</u>

**NOTE 10—SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 12, 2020, the date which the financial statements were available for issue. The COVID-19 outbreak in the United States and globally has caused business disruption through mandated and voluntary closings of multiple program sites. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Foundation expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

On May 1, 2020, the Foundation applied for and was awarded a Payroll Protection Program (PPP) loan from the U.S. Small Business Administration (SBA) of \$94,369. The loan accrues interest at a fixed rate of 1% per annum, but payments are not required to begin for six months after the funding of the loan. The loan matures on May 1, 2022. The Foundation is eligible for loan forgiveness up to 100% of the loan, upon meeting certain requirements to the extent of applicable payroll and other covered costs. The amount of loan forgiveness shall be calculated (and may be reduced) in accordance with the requirements of the PPP, including the provisions of Section 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The loan is uncollateralized and is fully guaranteed by the Federal government.

On May 27, 2020, as part of the Economic Injury Disaster Loan program, the Foundation also received an \$8,000 emergency advance grant, eligible for automatic forgiveness.

Except for the PPP and EIDL funds received there were no other subsequent events which require disclosure.