

KARAM FOUNDATION, NFP AND AFFILIATE

Consolidated Audited Financial Statements

December 31, 2020

Independent Auditor's Report

To the Board of Directors of
Karam Foundation, NFP and Affiliate

Report on the Consolidated Financial Statements

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 statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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.

Auditor's Responsibility

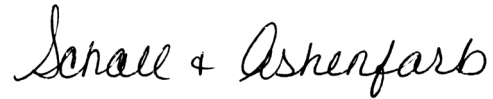
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated 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, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Schall & Ashenfarb". The script is cursive and fluid.

Schall & Ashenfarb
Certified Public Accountants, LLC

November 4, 2021

KARAM FOUNDATION, NFP AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2020

Assets

Cash and cash equivalents	\$2,023,618
Contributions receivable (Note 3)	1,782,111
Government grants receivable	58,692
Prepaid expenses and other assets	18,745
Fixed assets, net (Note 4)	<u>177,036</u>
 Total assets	 <u><u>\$4,060,202</u></u>

Liabilities and Net Assets

Liabilities:	
Accounts payable and accrued expenses	\$95,189
Deferred rent	<u>10,311</u>
Total liabilities	<u>105,500</u>
 Net assets:	
Without donor restrictions	2,211,589
With donor restrictions (Note 5)	<u>1,743,113</u>
Total net assets	<u>3,954,702</u>
 Total liabilities and net assets	 <u><u>\$4,060,202</u></u>

The attached notes and auditor's report are an integral part of the consolidated financial statements.

**KARAM FOUNDATION, NFP AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Contributions	\$2,065,983	\$1,042,926	\$3,108,909
Government grants	123,162		123,162
Government grant - Paycheck Protection Protection Program (Note 6)	94,369		94,369
Other income	701		701
Foreign currency translation gain (Note 2g)	4,213		4,213
Net assets released from restriction (Note 5)	1,012,152	(1,012,152)	0
	<u>3,300,580</u>	<u>30,774</u>	<u>3,331,354</u>
Total public support and revenue			
Expenses:			
Program services	2,352,210		2,352,210
Supporting services:			
Management and general	481,797		481,797
Fundraising	215,190		215,190
	<u>3,049,197</u>	<u>0</u>	<u>3,049,197</u>
Total expenses			
Change in net assets	251,383	30,774	282,157
Net assets - beginning of year	1,960,206	1,712,339	3,672,545
Net assets - end of year	<u>\$2,211,589</u>	<u>\$1,743,113</u>	<u>\$3,954,702</u>

The attached notes and auditor's report are an integral part of the consolidated financial statements.

KARAM FOUNDATION, NFP AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

		Supporting Services		
	Program	Management		Total
	Services	and	Fundraising	Expenses
		General		
Salaries	\$489,493	\$200,870	\$162,441	\$852,804
Payroll taxes and benefits	194,885	32,987	26,677	254,549
Grants	716,530			716,530
Scholarships	301,831			301,831
Other direct assistance to individuals	286,851			286,851
Professional fees	117,158	35,518	1,579	154,255
Contract labor	49,986	64,726	8,553	123,265
Occupancy and space rental	75,522	44,158	1,260	120,940
Travel and meetings	16,517	2,715	5,333	24,565
Bank and transaction fees	11,782	32,426		44,208
Office expenses	15,889	17,492	4,346	37,727
Dues and subscriptions	1,412	28,914	4,590	34,916
Insurance		4,373		4,373
Other expenses	1,296	16,385		17,681
Depreciation	73,058	1,233	411	74,702
Total expenses	<u>\$2,352,210</u>	<u>\$481,797</u>	<u>\$215,190</u>	<u>\$3,049,197</u>

The attached notes and auditor's report are an integral part of the consolidated financial statements.

**KARAM FOUNDATION, NFP AND AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Cash flows from operating activities:	
Change in net assets	\$282,157
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	74,702
Changes in assets and liabilities:	
Contributions receivable	248,706
Government grants receivable	(58,692)
Prepaid and other assets	32,873
Accounts payable and accrued expenses	(826)
Deferred rent	(1,291)
Total adjustments	<u>295,472</u>
Net cash provided by operating activities	<u>577,629</u>
Cash flows from investing activities:	
Fixed asset acquisitions	<u>(553)</u>
Net cash used for investing activities	<u>(553)</u>
Net increase in cash and cash equivalents	577,076
Cash and cash equivalents - beginning of year	<u>1,446,542</u>
Cash and cash equivalents - end of year	<u><u>\$2,023,618</u></u>
No interest or income taxes were paid.	

The attached notes and auditor's report are an integral part of the consolidated financial statements.

**KARAM FOUNDATION, NFP AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Note 1 - 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, NFP 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. These two entities are collectively referred to as the "Foundation."

The assets and expenses of these programs are included in the Foundation's consolidated financial statements. All intercompany balances and transactions have been eliminated in consolidation.

The majority of the Foundation's programs are carried out in Syria and Turkey. The Foundation's primary sources of revenue are grants and contributions.

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, which is similar to a U.S. not-for-profit organization.

Note 2 - Significant Accounting Policies

a. Basis of Accounting

The accompanying consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting, which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

b. Basis of Presentation

The Foundation reports information regarding its financial position and activities according to the following specific classes of net assets:

- *Net Assets Without Donor Restrictions* – represents those resources for which there are no restrictions by donors as to their use as well as activity with donor-imposed restrictions that expire within the same period.
- *Net Assets With Donor Restrictions* – represents those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.

c. Revenue Recognition

The Foundation follows the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 958-605 for recording contributions, which are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in the net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they were received, they are classified as without donor restrictions.

The Foundation evaluates whether contributions are conditional or unconditional. Contributions are considered to be conditional when both a barrier must be overcome for the Foundation to be entitled to the revenue and a right of return of the asset or right of release from the obligation exists.

Government grants have been evaluated and are considered to be conditional contributions under FASB 958-605. Revenue from these transactions is recognized when qualifying expenditures are incurred, performance related outcomes are achieved, and other conditions under the agreements are met. Cash received in advance of the conditions being met are treated as liabilities.

Contributions expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value, using risk-adjusted present value techniques. Receivables are reviewed for collectability. No allowance for doubtful accounts has been recorded as all receivables are deemed to be fully collectable. Write-offs will be recorded as an expense in the year they are deemed uncollectable.

d. Cash and Cash Equivalents

The Foundation considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

e. Significant Concentrations

Financial instruments which potentially subject the Foundation to concentration of credit risk consist of cash and savings accounts which are placed with financial institutions that management deems to be creditworthy. At year end and at various times throughout the year, balances were in excess of insured amounts. However, the Foundation has not experienced any losses due to bank failure.

f. Fixed Assets

Fixed assets that exceed predetermined amounts (\$500) that the Foundation retains title to, and that benefit future periods are capitalized at cost, or if donated, at the estimated fair value at the time of donation. Depreciation is charged using the straight-line method over each asset's estimated useful life.

g. Functional Currency Transactions

As described in Note 1, the Affiliate conducts programs throughout Turkey to serve the Syrian refugee community. Transactions related to these activities are in the local currency, Turkish Lira. Assets and liabilities of the Affiliate are translated at year-end exchange rates. Support and revenue and expenses are translated at the average exchange rates during the year. The Foundation recorded a foreign currency gain of \$4,213 for the year ended December 31, 2020.

The Foundation had cash balances totaling \$9,300 in three bank accounts in a Turkish bank as of December 31, 2020.

h. In-kind Contributions

Donated services are recognized in circumstances where those services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided in-kind.

Board members and individuals volunteer their time and perform a variety of services for the Foundation. These services do not meet the criteria for recognition and have not been recognized in the consolidated financial statements.

i. Deferred Rent

Rent expense is recognized evenly over the life of the lease using the straight-line method. Rent expense recognized in excess of cash payments is reflected as deferred rent. In future years, when payments exceed the amount of rent recognized as expense, the deferred rent will be reduced until it is zero at the end of the lease.

j. Management Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

k. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Salaries were allocated using time and effort as the basis. Payroll taxes and benefits and depreciation were allocated using salaries as the basis. Occupancy and space rental were allocated based on usage by square footage. All other expenses have been charged directly to the applicable program or supporting services.

l. Accounting for Uncertainty of Income Taxes

The Foundation does not believe its consolidated financial statements include any material, uncertain tax positions. Tax returns for periods ending December 31, 2017 and later are subject to examination by applicable taxing authorities.

m. New Accounting Pronouncements

FASB issued Accounting Standards Update ("ASU") No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which becomes effective for the December 31, 2022 year with early adoption permitted. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line-item presentation on the consolidated statement of activities and additional disclosures.

FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the December 31, 2022 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding “right to use asset” on the consolidated statement of financial position.

The Foundation is in the process of evaluating the impact these standards will have on future consolidated financial statements.

Note 3 - Contributions Receivable

Pledges and contributions receivable at December 31, 2020 are expected to be received in the following periods:

Year ending:	December 31, 2021	\$1,365,820
	December 31, 2022	285,240
	December 31, 2023	122,470
	December 31, 2024	<u>20,088</u>
		1,793,618
Less present value discount (2%)		<u>(11,507)</u>
Net pledges receivable		<u>\$1,782,111</u>

Note 4 - Fixed Assets

Fixed assets at December 31, 2020 consist of the following:

Electronic equipment – <i>5-year useful life</i>	\$245,519
Leasehold improvements – <i>Life of lease</i>	90,967
Furniture and fixtures – <i>5-year useful life</i>	40,463
Vehicles – <i>5-year useful life</i>	<u>21,650</u>
	398,599
Less: accumulated depreciation	<u>(221,563)</u>
Total fixed assets, net	<u>\$177,036</u>

Note 5 - Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following:

	Balance <u>1/1/20</u>	Additions	Released from Restrictions	Balance <u>12/31/20</u>
Programs:				
Karam Scholars	\$612,940	\$644,497	(\$466,218)	\$791,219
Karam Works	112,781	228	(0)	113,009
Jumpstart	43,153	35,645	(12,569)	66,229
Support a Syrian Refugee Family - Reyhanli	62,205	151,187	(187,105)	26,287
Creative Partnership Consultant	15,000	0	(0)	15,000
Mental Health	0	92,165	(0)	92,165
10,000 Leaders	0	43,600	(0)	43,600
Other programs	<u>6,945</u>	<u>104</u>	<u>(6,945)</u>	<u>104</u>
Total programs	853,024	967,426	(672,837)	1,147,613
Time restrictions	<u>859,315</u>	<u>75,500</u>	<u>(339,315)</u>	<u>595,500</u>
Total	<u>\$1,712,339</u>	<u>\$1,042,926</u>	<u>(\$1,012,152)</u>	<u>\$1,743,113</u>

Note 6 - Forgiveness of Paycheck Protection Program Loan

During the year ended December 31, 2020, the Foundation obtained a loan from the Small Business Administration ("SBA") through the Paycheck Protection Program ("PPP"). Terms of the loan indicated that if certain conditions were met, which included maintaining average work forces during periods subsequent to receipt of the loan funds that are not less than pre-determined historical periods, that the loan, or a portion thereof, could be forgiven.

The Foundation accounts for the PPP loan in accordance with FASB ASC 958-605. The Foundation met all of the conditions during the year, and this was recognized as revenue in 2020. In addition, the Foundation was notified that full forgiveness was approved by the SBA.

Note 7 - Commitments and Contingencies

The Foundation leases space located in Lake Forest, Illinois for its headquarters. The lease is effective for a five-year term expiring December 31, 2022. Monthly rent payments for 2020 were \$3,545. Rent payments increase by \$215 per month, plus common area maintenance and taxes. Rent expense for this space was \$41,000 in 2020.

In addition, the Foundation has a lease agreement for the Karam House in Reyhanli, Turkey that expires in December 2023. The Karam House is a community innovation workplace for Syrian refugees' youth where they can learn skills in science, technology, engineering arts and mathematics. The rent expense was 24,000 Turkish lira, which was approximately \$4,300 for 2020.

In 2018, the Foundation opened another Karam House location in Istanbul, Turkey. This lease expires in May 2021. The annual rent was 345,000 Turkish Lira, which approximates to \$58,000. The rent expense was 345,000 Turkish Lira, which was approximately \$57,000 for 2020.

As of December 31, 2020, future minimum rental commitments under non-cancelable lease agreements are as follows:

Year ending:	December 31, 2021	\$97,231
	December 31, 2022	105,276
	December 31, 2023	57,230
	December 31, 2024	57,230
	December 31, 2025	57,230
	Thereafter	<u>23,846</u>
Total		<u>\$398,043</u>

Government contracts are subject to audit by the grantor. Management does not believe that any audits, if they were to occur, would result in material disallowed costs, and has not established any reserves. Any disallowed costs would be recorded in the period notified, if it is probable that a liability has been incurred.

Note 8 - Availability and Liquidity

The Foundation maintains cash on hand to be available for its general expenditures and other obligations for on-going operations. As part of its liquidity management, the Foundation operates its programs within a board approved budget and relies on contributions and government grants to fund its operations and program activities.

The following reflects the Foundation's financial assets at December 31, 2020 that are available to meet cash needs for general expenditures within one year:

Financial assets at year-end:		
Cash and cash equivalents	\$2,023,618	
Contributions receivable due within one year	1,365,820	
Government grants receivable	<u>58,692</u>	
Total financial assets		\$3,448,130
Less amounts not available for general expenditures:		
Donor contributions restricted to specific purposes		<u>(1,147,613)</u>
Financial assets available to meet cash needs		
for general expenditures within one year		<u>\$2,300,517</u>

Note 9 - Subsequent Events

Subsequent events have been evaluated through November 4, 2021, the date the financial statements were issued. The Foundation has concluded that no other material events have occurred that are not accounted for in the accompanying financial statements or disclosed in the accompanying notes.

Note 10 - Other Matters

On January 30, 2020, the World Health Organization declared a novel coronavirus (COVID-19) outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures of certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Foundation operates. As of the date of these consolidated financial statements, many of the travel restrictions and stay at home orders have been lifted, however supply chains remain impacted. Management continues to monitor the outbreak, however as of the date of these consolidated financial statements, the potential impact cannot be quantified.