

KyMel, Inc.

Financial Report
December 31, 2019

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Independent Auditor's Report

RSM US LLP

Board of Directors
KyMel, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of KyMel, Inc., which comprise the statements of financial position as of December 31, 2019 and 2018, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

RSM US LLP

Kansas City, Missouri
June 30, 2020

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KyMel, Inc.

**Statements of Financial Position
December 31, 2019 and 2018**

	2019	2018
Assets		
Cash	\$ 130,313	\$ 163,235
Accounts receivable	1,990	-
Investments	667,237	477,356
Prepaid expenses	9,274	18,948
Property and equipment, net of accumulated depreciation, \$955 and \$598, respectively	828	1,185
Facility credits, net of allowance	256,934	267,134
	<u>256,934</u>	<u>267,134</u>
Total assets	\$ 1,066,576	\$ 927,858
Net Assets		
Without donor restrictions	\$ 599,946	\$ 410,432
With donor restrictions	466,630	517,426
Total net assets	1,066,576	927,858
	<u>1,066,576</u>	<u>927,858</u>
Total net assets	\$ 1,066,576	\$ 927,858
	<u>\$ 1,066,576</u>	<u>\$ 927,858</u>

See notes to financial statements.

KyMel, Inc.

Statements of Activities
Years Ended December 31, 2019 and 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions:			
General contributions	\$ 141,185	\$ 950	\$ 142,135
Professional in kind	-	33,250	33,250
Special event revenue	41,221	-	41,221
Investment return	64,881	-	64,881
Net assets released from restriction	84,996	(84,996)	-
Total revenues, gains and other support	332,283	(50,796)	281,487
Expenses:			
Program services	114,499	-	114,499
General and administrative expenses	22,240	-	22,240
Fundraising expenses	6,030	-	6,030
Total expenses	142,769	-	142,769
Change in net assets	189,514	(50,796)	138,718
Net assets:			
Beginning	410,432	517,426	927,858
Ending	\$ 599,946	\$ 466,630	\$ 1,066,576

See notes to financial statements.

2018		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 129,320	\$ 11,365	\$ 140,685
2,006	33,000	35,006
-	-	-
(25,737)	-	(25,737)
95,441	(95,441)	-
<u>201,030</u>	<u>(51,076)</u>	<u>149,954</u>
95,960	-	95,960
23,041	-	23,041
277	-	277
<u>119,278</u>	<u>-</u>	<u>119,278</u>
81,752	(51,076)	30,676
328,680	568,502	897,182
<u>\$ 410,432</u>	<u>\$ 517,426</u>	<u>\$ 927,858</u>

KyMel, Inc.

**Statement of Functional Expenses
Year Ended December 31, 2019**

	Program Services	Fundraising	General and Administrative	Total
Camp expenses:				
Activities	\$ 10,563	\$ -	\$ -	\$ 10,563
Facilities	5,281	-	-	5,281
Kitchen	9,134	-	-	9,134
Medical	3,118	-	-	3,118
Operations	37,552	-	-	37,552
Transportation	5,651	-	-	5,651
In-kind	43,200	-	-	43,200
Printing and postage	-	-	1,031	1,031
Insurance	-	-	1,304	1,304
Meeting expenses	-	-	3,991	3,991
Depreciation	-	-	357	357
Professional fees	-	-	9,168	9,168
Miscellaneous	-	-	2,595	2,595
Conferences and training	-	-	3,794	3,794
Marketing	-	6,030	-	6,030
Total expenses	\$ 114,499	\$ 6,030	\$ 22,240	\$ 142,769

See notes to financial statements.

KyMel, Inc.

**Statement of Functional Expenses
Year Ended December 31, 2018**

	Program Services	Fundraising	General and Administrative	Total
Camp expenses:				
Activities	\$ 12,247	\$ -	\$ -	\$ 12,247
Facilities	5,290	-	-	5,290
Kitchen	9,274	-	-	9,274
Medical	1,133	-	-	1,133
Operations	20,280	-	-	20,280
Transportation	5,536	-	-	5,536
In-kind	42,200	-	-	42,200
Printing and postage	-	-	749	749
Insurance	-	-	1,304	1,304
Meeting expenses	-	-	7,213	7,213
Depreciation	-	-	357	357
Professional fees	-	-	9,430	9,430
Miscellaneous	-	277	1,980	2,257
Conferences and training	-	-	2,008	2,008
Total expenses	\$ 95,960	\$ 277	\$ 23,041	\$ 119,278

See notes to financial statements.

KyMel, Inc.

Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 138,718	\$ 30,676
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	357	357
Net realized and unrealized loss (gain) on investments	(64,881)	25,737
Changes in operating assets and liabilities:		
Accounts receivable	(1,990)	2,315
Prepaid expenses	9,674	(14,694)
Facility credits	10,200	9,200
Accounts payable	-	(31)
Net cash provided by operating activities	92,078	53,560
Cash flows from investing activities:		
Purchases of investments	(125,000)	(44,999)
Purchases of property and equipment	-	(1,059)
Net cash used in investing activities	(125,000)	(46,058)
Net (decrease) increase in cash	(32,922)	7,502
Cash, beginning of year	163,235	155,733
Cash, end of year	\$ 130,313	\$ 163,235

See notes to financial statements.

Notes to Financial Statements

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of operations: KyMel, Inc. (f/k/a Camp Hope Heartland, Inc.) (the Organization) is a nonprofit organization whose primary purpose is to provide connecting experiences for families on the cancer journey with an ultimate goal of improving the health of children and adolescents with cancer. The name change was effective November 2018. Their primary program is Camp Hope, which is a summer program for youth who have, or have had, cancer. The camp is located in Clafin, Kansas.

A summary of the Organization's significant accounting policies follows:

Basis of presentation: The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Financial statement presentation: The Organization presents their financial statements based on *FASB Accounting Standards Codification (ASC) Topic 958, Presentation of Financial Statements*.

Net assets without donor restrictions: Net assets without donor restrictions are not subject to donor-imposed stipulations but may be subject to board designations. Earnings on investments are reported as increases in net assets without donor restrictions unless their use is limited by donor stipulation or by laws.

Net assets with donor restrictions: Net assets with donor restrictions are subject to donor-imposed stipulations that may or will be met either by actions of the Organization or the passage of time. Also included in this category are net assets subject to donor-imposed stipulations and expire neither by the passage of time nor by actions of the Organization. As of December 31, 2019 and 2018, all donor-restricted assets could be met by either actions or the passage of time.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized.

Revenue: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The standard replaced the most recently existing revenue recognition guidance under U.S. GAAP. This standard also requires expanded disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The Organization adopted the new standard effective for the year ended December 31, 2019, using the modified retrospective transition approach. Based on the Organization's review of their contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. Due to the nonreciprocal nature of contributions this revenue stream is not considered a contract with customers and therefore does not fall under the guidance of ASC 606. See below for additional disclosures.

Contributions: Gifts of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Notes to Financial Statements

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Gifts of materials and property are recorded as contributions at their estimated fair value at the date of donation. Such gifts are reported as without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

Conditional promises to give are recognized when the conditions on which they depend are substantially met. There were no conditional pledges at December 31, 2019 or 2018.

In-kind contributions: In addition to receiving cash contributions, the Organization receives in-kind contributions of goods and services from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in the financial statements, and similarly increase contribution revenue by a like amount. Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

Special event revenues: Special event revenue is derived primarily from tickets and sponsorships purchased for special events. The related performance obligation is satisfied at a point in time when the event occurs. As of December 31, 2019 and 2018, gross special event revenue was \$41,221 and \$0, respectively. Amounts received for special events are deferred to the applicable period in which the related event occurs and are classified as liabilities on the statements of financial position. At December 31, 2019 and 2018, there was \$0 of deferred revenue and accounts receivable related to special events.

The Organization did not have any impairment or credit losses on any receivables or contract assets arising from contracts with customers. There are also no incremental costs of obtaining a contract and no significant financing components. Finally, there are no significant changes in the judgments affecting the determination of the amount and timing of revenue from contracts with customers.

Use of estimates: The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional allocation of expenses: The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Certain costs have been allocated among program, fundraising, and general and administrative categories based on the nature of the expense.

Cash: Cash consists of cash on hand and deposit with a bank.

Facility credits: In 2015, the Organization provided \$317,000 to Barton County Community College (the College) for the construction and replacement of the dining and events center at Camp Aldrich. These funds were generated by tax credits and were to offset the cost of enhancements made to the facility and to reduce the overall College contribution. The \$317,000 is used as a credit for any event scheduled by KyMel, Inc. or Kans for Kids Fighting Cancer Foundation until the available credit had been used. The Organization has recorded the value of this credit as an asset with a balance of \$256,934 and \$267,134 at December 31, 2019 and 2018, respectively.

Notes to Financial Statements

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

As Kans for Kids Fighting Cancer Foundation also has use of the facility and credit, management of the Organization estimates an allowance against this asset based on their usage. The allowance as of December 31, 2019 and 2018, is \$2,000. These funds are recorded net of allowance in the statements of financial position.

Accounts receivable: Accounts receivable are recorded at invoice cost less an allowance for uncollectible accounts. Management of the Organization determines the allowance for uncollectible accounts based upon current factors. There was no allowance at December 31, 2019 or 2018.

Investments: Investments are recorded at fair value. Fair value of publicly traded mutual funds and equity securities is determined by quoted market prices. See Note 5 for a discussion of fair value measurements.

Income tax status: The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. However, the Organization is subject to federal income tax on any unrelated business taxable income. Uncertain tax provisions, if any, are recorded in accordance with ASC Topic 740, Income Taxes, which requires the recognition of a liability for tax positions taken that do not meet the more-likely-than-not standard that the position will be sustained upon examination by the taxing authorities. There is no liability for uncertain tax positions recorded at December 31, 2019 or 2018.

Transfers between fair value hierarchy levels: Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the actual transfer date. There were no such transfers in 2019 or 2018.

Concentration of credit risk: The Organization occasionally maintains cash balances in excess of federally insured amounts. Management believes that the risk of loss is minimal due to the strength of the institutions.

Note 2. Liquidity and Availability

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has cash and investments available at its disposal as sources of liquidity.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statements of cash flows, which identify the sources and uses of the Organization's cash and show positive cash generated by operations for fiscal years 2019 and 2018.

KyMel, Inc.**Notes to Financial Statements**

Note 2. Liquidity and Availability (Continued)

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, comprise the following at December 31, 2019 and 2018:

	2019		2018
Financial assets at year-end:			
Cash	\$ 130,313	\$	163,235
Investments available for general purposes	667,237		477,356
Trade Receivables	1,990		-
Total financial assets	<u>799,540</u>		<u>640,591</u>
Less amounts not available to be used within one year:			
Donor imposed restrictions	466,630		517,426
Financial assets available to meet general expenditures within one year	<u>\$ 332,910</u>	\$	<u>123,165</u>

Note 3. Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2019 and 2018, are available for the following purposes:

	2019		2018
KyMel program expenses	\$ 209,697	\$	250,293
Facility rent	254,175		264,375
KyMel improvements	2,758		2,758
	<u>\$ 466,630</u>	\$	<u>517,426</u>

Note 4. Investments and Investment Return

Investments at December 31, 2019 and 2018, consisted of the following:

	2019		2018
Cash	\$ 9,601	\$	11,919
Domestic equity mutual funds	213,478		153,681
Common stock	444,158		311,756
	<u>\$ 667,237</u>	\$	<u>477,356</u>

KyMel, Inc.

Notes to Financial Statements

Note 4. Investments and Investment Return (Continued)

Total investment return consisted of the following for the years ended December 31, 2019 and 2018:

	2019	2018
Interest and dividend income	\$ 14,403	\$ 12,441
Net realized and unrealized gains (losses)	50,478	(38,178)
	<u>\$ 64,881</u>	<u>\$ (25,737)</u>

Note 5. Fair Value of Assets and Liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in its principal market, or in the absence of a principal market, the most advantageous market for the investment or liability. The Organization accounts for its investments at fair value. In accordance with the guidance, the Organization has categorized its investments based on the priority of the inputs to the valuation technique, which gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs are quoted prices for identical instruments traded in active markets.

Level 2: Inputs are quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in inactive markets; or derived from inputs that are observable.

Level 3: Inputs are valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker trade transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

A description of the valuation methodologies used for assets measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below:

Investments: Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid corporate bonds and exchange-traded equities. If quoted market prices are not available, then fair values are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states and political subdivisions, and certain corporate, asset-backed and other securities. In certain cases where there is limited activity or transparency around inputs to the valuation, including alternative investments, securities are classified with Level 3 of the valuation hierarchy.

KyMel, Inc.

Notes to Financial Statements

Note 5. Fair Value of Assets and Liabilities (Continued)

	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Investments:				
Mutual funds	\$ 213,478	\$ 213,478	\$ -	\$ -
Common stock	444,158	444,158	-	-
Cash	9,601	-	-	-
	<u>\$ 667,237</u>	<u>\$ 657,636</u>	<u>\$ -</u>	<u>\$ -</u>

	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Investments:				
Mutual funds	\$ 153,681	\$ 153,681	\$ -	\$ -
Common stock	311,756	311,756	-	-
Cash	11,919	-	-	-
	<u>\$ 477,356</u>	<u>\$ 465,437</u>	<u>\$ -</u>	<u>\$ -</u>

Note 6. Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Barton County Community College tax credits allowance: Estimates related to the Barton County Community College tax credits are described in Note 1.

Note 7. Subsequent Events

The Organization has evaluated and disclosed subsequent events up to and including June 30, 2020, which is the date the financial statements were available to be issued. The below item was noted as a subsequent event.

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the United States and around the world. As of June 30, 2020, the Organization is aware of changes in its operations as a result of COVID-19 but uncertain of the impact of those changes on its financial position, results of operations, or cash flows. Management believes any disruption, when and if experienced, could be temporary; however, there is uncertainty around when any disruption might occur, the duration and hence the potential impact. As a result, management is unable to estimate the potential impact on business as of the date of this report.

