



**The Genesis Foundation for Children, Inc.**

**Financial Statements for the Years Ended  
December 31, 2014 and 2013**



**CARAS & SHULMAN, PC**  
*Certified Public Accountants  
Business Advisors*

**The Genesis Foundation for Children, Inc.**  
**Financial Statements for the Years Ended December 31, 2014 and 2013**

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CARAS & SHULMAN, PC  
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Independent Auditor's Report

To the Board of Directors  
The Genesis Foundation for Children, Inc.

We have audited the accompanying financial statements of The Genesis Foundation for Children, Inc. (a non-profit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 The Genesis Foundation for Children, Inc. as of December 31, 2014 and 2013, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

The accompanying financial statements are those of The Genesis Foundation for Children, Inc. , under common control with The Feingold Center for Children, Inc., and are not those of the primary reporting entity. The consolidated financial statements of The Genesis Foundation for Children, Inc. and The Feingold Center for Children, Inc. for the years ended December 31, 2014 and 2013 have been issued separately.

*Caras & Shulman, P.C.*

Caras & Shulman, PC  
Certified Public Accountants

July 14, 2015

**The Genesis Foundation for Children, Inc.**  
**Statements of Financial Position**  
**December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 234,584	\$ 95,093
Contributions receivable	149,538	74,563
Prepaid expenses and other current assets	<u>17,261</u>	<u>22,847</u>
Total current assets	<u>401,383</u>	<u>192,503</u>
Property and equipment:		
Equipment	38,741	36,270
Furniture and fixtures	11,768	11,768
Motor vehicles	<u>-</u>	<u>18,500</u>
Total property and equipment	50,509	66,538
Less accumulated depreciation	<u>37,733</u>	<u>50,584</u>
Net property and equipment	<u>12,776</u>	<u>15,954</u>
Other assets:		
Investments	533,404	487,992
Website development costs, net	7,667	-
Security deposit	<u>1,550</u>	<u>1,550</u>
Total other assets	<u>542,621</u>	<u>489,542</u>
Total Assets	<u>\$ 956,780</u>	<u>\$ 697,999</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 269,063	\$ 210,013
Note payable, related party	<u>75,250</u>	<u>75,250</u>
Total liabilities	<u>344,313</u>	<u>285,263</u>
Net Assets:		
Unrestricted - designated by the board of directors	475,000	475,000
Unrestricted - undesignated	<u>57,467</u>	<u>(62,264)</u>
Total unrestricted net assets	532,467	412,736
Temporarily restricted net assets	<u>80,000</u>	<u>-</u>
Total net assets	<u>612,467</u>	<u>412,736</u>
Total Liabilities and Net Assets	<u>\$ 956,780</u>	<u>\$ 697,999</u>

**The Genesis Foundation for Children, Inc.**  
**Statement of Activities**  
**For the Year Ended December 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenues:			
Special event income	\$ 802,256	\$ -	\$ 802,256
Contributions	523,580	-	523,580
Grant income	50,000	80,000	130,000
Third party event income	20,397	-	20,397
Investment income	13,313	-	13,313
	<u>1,409,546</u>	<u>80,000</u>	<u>1,489,546</u>
Total support and revenues			
Expenses:			
Program services:			
Donations, Boston Children's Hospital	251,340	-	251,340
Donations, The Feingold Center for Children	141,056	-	141,056
Donations, Therapy and The Performing Arts	7,800	-	7,800
Donations, Children's Needs	3,273	-	3,273
	<u>403,469</u>	<u>-</u>	<u>403,469</u>
Total program services			
Support services:			
Special event expenses	444,864	-	444,864
Fundraising	345,343	-	345,343
Management and general	130,629	-	130,629
	<u>920,836</u>	<u>-</u>	<u>920,836</u>
Total support services			
Total expenses	<u>1,324,305</u>	<u>-</u>	<u>1,324,305</u>
Change in net assets from operating activities	85,241	80,000	165,241
Non-operating gains, losses and other support:			
Interest income	68	-	68
Gain on disposal of equipment	4,000	-	4,000
Net realized and unrealized gains on investments	30,422	-	30,422
	<u>119,731</u>	<u>80,000</u>	<u>199,731</u>
Change in net assets			
Net assets, beginning of year	<u>412,736</u>	<u>-</u>	<u>412,736</u>
Net assets, End of Year	<u>\$ 532,467</u>	<u>\$ 80,000</u>	<u>\$ 612,467</u>

**The Genesis Foundation for Children, Inc.**  
**Statement of Activities**  
**For the Year Ended December 31, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenues:			
Special event income	\$ 820,882	\$ -	\$ 820,882
Contributions	262,568	-	262,568
Grant income	67,000	-	67,000
Third party event income	32,476	-	32,476
Symposia	20,000	-	20,000
Investment income	12,287	-	12,287
Net assets released from restrictions	<u>20,000</u>	<u>(20,000)</u>	<u>-</u>
Total support and revenues	<u>1,235,213</u>	<u>(20,000)</u>	<u>1,215,213</u>
Expenses:			
Program services:			
Donations, Boston Children's Hospital	222,194	-	222,194
Donations, The Feingold Center for Children	145,214	-	145,214
Donations, Therapy and The Performing Arts	7,800	-	7,800
Donations, Children's Needs	<u>1,872</u>	<u>-</u>	<u>1,872</u>
Total program services	<u>377,080</u>	<u>-</u>	<u>377,080</u>
Support services:			
Special event expenses	449,501	-	449,501
Fundraising	288,820	-	288,820
Management and general	<u>111,547</u>	<u>-</u>	<u>111,547</u>
Total support services	<u>849,868</u>	<u>-</u>	<u>849,868</u>
Total expenses	<u>1,226,948</u>	<u>-</u>	<u>1,226,948</u>
Change in net assets from operating activities	8,265	(20,000)	(11,735)
Non-operating gains, losses and other support:			
Other income	22,761	-	22,761
Net realized and unrealized gains on investments	<u>59,262</u>	<u>-</u>	<u>59,262</u>
Change in net assets	90,288	(20,000)	70,288
Net assets, beginning of year	<u>322,448</u>	<u>20,000</u>	<u>342,448</u>
Net assets, End of Year	<u>\$ 412,736</u>	<u>\$ -</u>	<u>\$ 412,736</u>

**The Genesis Foundation for Children, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2014**

	Program Services	Special Event Expenses	Fundraising	Management and General	Total
Special events	\$ -	\$ 382,157	\$ -	\$ -	\$ 382,157
Donations, Boston Children's Hospital	251,340	-	-	-	251,340
Donations, The Feingold Center for Children	141,056	-	-	-	141,056
Donations, Fill Up For Kids	-	62,707	-	-	62,707
Donations, Therapy and The Performing Arts	7,800	-	-	-	7,800
Donations, Children's Needs	3,273	-	-	-	3,273
Payroll	-	-	218,430	48,075	266,505
Payroll taxes	-	-	17,590	3,872	21,462
Professional fees	-	-	60,000	14,272	74,272
Computer expense	-	-	-	22,982	22,982
Rent	-	-	15,343	3,377	18,720
Employee benefits	-	-	12,238	2,693	14,931
Office	-	-	4,372	8,979	13,351
Insurance	-	-	-	9,148	9,148
Fundraising expenses	-	-	8,407	-	8,407
Telephone	-	-	2,532	557	3,089
Travel	-	-	-	200	200
Investment fees	-	-	-	6,951	6,951
Depreciation	-	-	4,629	1,019	5,648
Repairs and maintenance	-	-	1,802	396	2,198
Printing and publications	-	-	-	2,871	2,871
Bank charges	-	-	-	2,244	2,244
Interest	-	-	-	500	500
Meetings and conferences	-	-	-	1,242	1,242
Miscellaneous	-	-	-	462	462
Annual report	-	-	-	415	415
Amortization, website development costs	-	-	-	333	333
Advertising	-	-	-	41	41
<b>Total Functional Expenses</b>	<b>\$ 403,469</b>	<b>\$ 444,864</b>	<b>\$ 345,343</b>	<b>\$ 130,629</b>	<b>\$ 1,324,305</b>

**The Genesis Foundation for Children, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2013**

	Program Services	Special Event Expenses	Fundraising	Management and General	Total
Special events	\$ -	\$ 390,164	\$ -	\$ -	\$ 390,164
Donations, Boston Children's Hospital	222,194	-	-	-	222,194
Donations, The Feingold Center for Children	145,214	-	-	-	145,214
Donations, Fill Up For Kids	-	46,095	-	-	46,095
Symposia	-	13,242	-	-	13,242
Donations, Therapy and The Performing Arts	7,800	-	-	-	7,800
Donations, Children's Needs	1,872	-	-	-	1,872
Payroll	-	-	206,954	39,487	246,441
Payroll taxes	-	-	17,221	3,286	20,507
Professional fees	-	-	-	14,086	14,086
Computer expense	-	-	-	21,401	21,401
Rent	-	-	15,721	2,999	18,720
Employee benefits	-	-	10,002	1,908	11,910
Office	-	-	4,178	5,857	10,035
Insurance	-	-	-	9,722	9,722
Fundraising expenses	-	-	24,531	-	24,531
Telephone	-	-	4,759	908	5,667
Travel	-	-	-	844	844
Investment fees	-	-	-	6,322	6,322
Depreciation	-	-	2,920	557	3,477
Repairs and maintenance	-	-	2,534	483	3,017
Printing and publications	-	-	-	369	369
Bank charges	-	-	-	2,384	2,384
Interest	-	-	-	500	500
Meetings and conferences	-	-	-	11	11
Miscellaneous	-	-	-	15	15
Annual report	-	-	-	265	265
Advertising	-	-	-	143	143
<b>Total Functional Expenses</b>	<b>\$ 377,080</b>	<b>\$ 449,501</b>	<b>\$ 288,820</b>	<b>\$ 111,547</b>	<b>\$ 1,226,948</b>



**The Genesis Foundation for Children, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Operating Activities:		
Change in net assets	\$ 199,731	\$ 70,288
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation and amortization	5,981	3,477
Net realized and unrealized gains on investments	(30,422)	(59,262)
Gain on disposal of equipment	(4,000)	-
Donation of investment securities	(55,498)	-
Donation of equipment	-	(13,900)
Changes in operating assets and liabilities:		
Contribution receivable	(74,975)	(32,618)
Prepaid expenses and other current assets	5,586	10,264
Accounts payable and accrued expenses	<u>59,050</u>	<u>(202,943)</u>
Net cash provided by (used for) operating activities	<u>105,453</u>	<u>(224,694)</u>
Investing activities:		
Proceeds from sale of investments	216,417	387,162
Proceeds from sale of equipment	4,000	-
Purchases of investments	(175,909)	(343,710)
Acquisition of website development costs	(8,000)	-
Acquisition of property and equipment	<u>(2,470)</u>	<u>(764)</u>
Net cash provided by investing activities	<u>34,038</u>	<u>42,688</u>
Financing activities:		
Proceeds from affiliate loan, net	<u>-</u>	<u>75,250</u>
Increase (decrease) in cash and cash equivalents	139,491	(106,756)
Cash and cash equivalents, beginning of year	<u>95,093</u>	<u>201,849</u>
Cash and Cash Equivalents, End of Year	<u>\$ 234,584</u>	<u>\$ 95,093</u>
<u>Supplemental disclosure of cash flows:</u>		
Cash paid for interest	<u>\$ 500</u>	<u>\$ 500</u>

**The Genesis Foundation for Children, Inc.**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

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**Note 1 Accounting Policies**

A summary of the significant accounting policies applied on a consistent basis by The Genesis Foundation for Children, Inc. in the preparation of the accompanying financial statements is set forth below:

***Nature of Activities and Basis of Accounting***

The Genesis Foundation for Children, Inc. (the "Foundation") is a not-for-profit, fundraising organization that provides funding to The Feingold Center for Children, Inc. (the "Center"), formerly The National Birth Defects Center, Inc., and other not-for-profit organizations that support the treatment and prevention of birth defects and children with special needs.

Effective September 1, 2011, the Center transitioned its professional practice, including all patient care provided at its Waltham site and at all Center satellite/contracted locations, along with the Center's Teratogen Hotline, to Boston Children's Hospital ("BCH"). Certain professional staff became employees of Children's Hospital Pediatric Associates, Inc. ("CHPA") while certain non-physician staff became employees of BCH. BCH has supplied the necessary clinical and support space and other supporting services to allow for the Center's services and is entitled to the professional fees provided by the Center's physicians (note 7). In addition, BCH is represented on the Foundation's Board of Directors in an ex officio capacity.

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting consistent with accounting principles generally accepted in the United States and accordingly reflect all significant receivables, payables, and other liabilities.

***Classification and Reporting of Net Assets***

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 958, Financial Statements of Not-for-Profit Organizations. Under FASB ASC 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

A description of the unrestricted, temporarily and permanently restricted net asset classes follows:

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Foundation, the environment in which it operates; the purposes specified in its corporate documents and its application for tax-exempt status.

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Foundation's unspent contributions are reported in this class if the donor limited their use, as are promised contributions that are not yet due.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets. Donor imposed restrictions that are met in the same period they are received are recorded as unrestricted support.

Permanently restricted net assets are resources whose use is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The portion of the Foundation's donor-restricted endowment funds that the Foundation is committed to maintaining in perpetuity are classified in this net asset class.

**The Genesis Foundation for Children, Inc.**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

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**Note 1 Accounting Policies (continued)**

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

***Cash and Cash Equivalents***

The Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

The Foundation maintains cash balances at various financial institutions. Cash accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Foundation's accounts at these institutions may, at times, exceed the federally insured limits. The Foundation has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

***Contributions Receivable***

Contributions receivable represent unconditional promises to give due within one year. Management evaluates total contributions receivable, and includes in the allowance for doubtful accounts an estimate of losses to be sustained. Uncollectible amounts are charged against the allowance account when management determines the possibility of collection is remote. At December 31, 2014 and 2013, all accounts were deemed collectible. Therefore, no allowance was necessary.

***Investments and Investment Income***

Investments are presented in the statements of financial position at fair value (note 2).

Purchases and sales of securities are recorded on trade dates, and realized gains and losses are determined on the basis of the average cost of securities sold. Investment income and realized and unrealized gains (losses) are reflected in the statements of activities.

***Property and Equipment***

Purchases of property and equipment are stated at cost and donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Major additions and betterments are charged to the property accounts; while replacements, maintenance or repairs that do not improve or extend the life of the respective assets are expensed in the year incurred. Fully depreciated assets are retained in property and equipment until they are removed from service.

***Depreciation***

Depreciation is computed by the straight-line and accelerated methods. The estimated useful life of each class of assets is as follows:

<u>Property and Equipment</u>	<u>Life in Years</u>
Equipment	3 - 7
Furniture and fixtures	5 - 7
Motor vehicles	5

**The Genesis Foundation for Children, Inc.**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

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**Note 1 Accounting Policies (continued)**

For the years ended December 31, 2014 and 2013, depreciation expense totaled \$5,648 and \$3,477, respectively.

***Other Intangible Assets***

Intangible assets are amortized under the straight-line method over the following useful lives:

<u>Other Intangible Assets</u>	<u>Life in Years</u>
Website development costs	10

***Revenue Recognition***

All revenue is recognized as unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted assets. Gains (losses) on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets by fulfillment of the donor-stipulated purpose or the stipulated time period are reported as reclassifications between the applicable classes of net assets.

***Contributions***

Contributions, including unconditional promises to give, are initially recognized at fair value as revenue in the period when the donor makes the promise to give. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution and nature of the fundraising activity.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class. Contributions received with donor-imposed restrictions that are met subsequent to the year in which they are received. A reclassification to unrestricted net assets is made to reflect the expiration of such restrictions in the year the restriction is met.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets with donor stipulations to be used to acquire land, buildings and equipment are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets. For the year ended December 31, 2013, the Foundation received contributed property and equipment totaling \$13,900.

Contributions of services are reported as revenues and expenses of the unrestricted net asset class at the fair value of the service received only if the services create or enhance a non-financial asset or would typically need to be purchased by the Foundation if they had not been provided by contribution, required specialized skills, and are provided by individuals with those skills. Contributions of goods and space to be used in program operations are reported as revenues and expenses of the unrestricted net asset class at the time the goods or space is received. For the years ended December 31, 2014 and 2013, the Foundation received contributed materials and services totaling \$182,358 and \$88,419, respectively.

**The Genesis Foundation for Children, Inc.**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

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**Note 1 Accounting Policies (continued)**

***Operating Activities***

The statements of activities reflect a subtotal for the change in net assets from operating activities. This subtotal reflects revenues that the Foundation received for operating purposes and all operating expenses. Non-operating activity reflects all other activity, including but not limited to the net realized and unrealized gains (losses) on investments.

***Functional Allocation of Expenses***

The costs of providing the programs and other activities have been summarized on a functional basis in the statements of activities. Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on an evaluation by the Foundation's management.

***Advertising***

Advertising costs are expensed when incurred. For the years ended December 31, 2014 and 2013, advertising expense totaled \$41 and \$143, respectively.

***Tax Status***

The Foundation is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income or excise tax has been recorded in the financial statements.

The Foundation follows accounting guidance provided in FASB ASC 740, "Income Taxes" with regard to accounting for uncertain income tax positions. This guidance describes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FASB ASC 740 also provides guidance on de-recognition of tax benefits, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Foundation evaluates all significant income tax positions as required by accounting principles generally accepted in the United States of America. As of December 31, 2014, the Foundation does not believe that it has taken any tax positions that would require the recording of an additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within twelve months of the report date. The Foundation's income tax returns are subject to examination by the respective taxing jurisdictions. The Foundation's federal and state tax returns generally remain open for examination for the last three years. Interest and penalties related to income taxes are included in administration expenditures, if incurred.

**Note 2 Investments**

The fair value and cost of investments was as follows as of December 31:

<u>2014</u>	<u>Cost</u>	<u>Fair Value</u>
Stocks	\$ 218,427	\$ 264,005
Mutual funds	100,445	97,865
Fixed income securities	129,107	131,047
Exchange-traded and closed-end funds	<u>35,551</u>	<u>40,487</u>
Total	<u>\$ 483,530</u>	<u>\$ 533,404</u>

**The Genesis Foundation for Children, Inc.**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

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**Note 2 Investments (continued)**

<u>2013</u>	<u>Cost</u>	<u>Fair Value</u>
Stocks	\$ 212,945	\$ 263,421
Mutual funds	86,681	81,038
Fixed income securities	106,841	104,826
Exchange-traded and closed-end funds	<u>30,198</u>	<u>38,707</u>
Total	<u>\$ 436,665</u>	<u>\$ 487,992</u>

Realized gains on investments for the years ended December 31, 2014 and 2013 totaled \$80,305 and \$45,648, respectively. Unrealized gains (losses) on investments for the years ended December 31, 2014 and 2013 totaled (\$49,883) and \$13,614, respectively.

**Note 3 Fair Value Measurements**

Under the FASB's authoritative guidance on fair value measurements, fair value is 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 determining fair value, the Foundation uses various methods including market, income and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs.

The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

*Level 1* - Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in level 1 includes listed equities and listed derivatives. As required by accounting principles generally accepted in the United States ("GAAP"), the Foundation does not adjust the quoted prices for these investments, even in situations where the Foundation may hold a large position and a sale could reasonably impact the quoted price.

Securities that are listed on the United States securities exchange are valued at their last sales price on the largest United States securities exchange on which such securities have traded. Securities that are listed on an international exchange are valued at the last sales price from the largest exchange within the individual security's country of jurisdiction.

*Level 2* - Pricing inputs are other than quoted prices in active markets of comparable instruments, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives.

**The Genesis Foundation for Children, Inc.**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

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**Note 3 Fair Value Measurements (continued)**

*Level 3* - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments that are included in this category generally include equity and debt positions in private companies and institutional mutual funds. Institutional mutual funds are typically structured like public mutual funds, except that they are marketed and distributed only to institutional investors and have additional purchase and redemption restrictions.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value:

Equity Securities, Fixed Income Securities, and Mutual Funds - valued at published net asset values, or quoted market prices, for identical assets provided by the Foundation manager.

While the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

There have been no significant changes in valuation methodologies during the years ended December 31, 2014 and 2013.

The following table summarizes the valuation of the Foundation's investments by the fair value hierarchy levels as of December 31:

2014

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities:				
Large core - domestic	\$ 58,476	\$ -	\$ -	\$ 58,476
Large growth - domestic	47,679	-	-	47,679
Large blend - international	40,487	-	-	40,487
Large growth - international	45,169	-	-	45,169
Large value - international	31,389	-	-	31,389
Large value - domestic	28,890	-	-	28,890
Mid growth - domestic	12,287	-	-	12,287
Large core - international	14,031	-	-	14,031
Mid core - domestic	10,439	-	-	10,439
Mid value - domestic	9,552	-	-	9,552
Small value - domestic	2,961	-	-	2,961
Small growth - domestic	1,444	-	-	1,444
Other	<u>1,688</u>	<u>-</u>	<u>-</u>	<u>1,688</u>
Total equity securities	304,492	-	-	304,492

**The Genesis Foundation for Children, Inc.**  
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**Note 3 Fair Value Measurements (continued)**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed Income securities:				
Corporate bonds - domestic	\$ 35,716	\$ -	\$ -	\$ 35,716
Treasury securities	76,920	-	-	76,920
Federal agencies	18,411	-	-	18,411
Mutual funds	<u>97,865</u>	<u>-</u>	<u>-</u>	<u>97,865</u>
Total	<u>\$ 533,404</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 533,404</u>

2013

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities:				
Large core - domestic	\$ 58,263	\$ -	\$ -	\$ 58,263
Large growth - domestic	57,840	-	-	57,840
Large blend - international	38,706	-	-	38,706
Large growth - international	35,851	-	-	35,851
Large value - international	34,642	-	-	34,642
Large value - domestic	27,200	-	-	27,200
Mid growth - domestic	15,768	-	-	15,768
Large core - international	11,830	-	-	11,830
Mid core - domestic	9,647	-	-	9,647
Mid value - domestic	8,712	-	-	8,712
Small growth - Domestic	2,967	-	-	2,967
Other	<u>702</u>	<u>-</u>	<u>-</u>	<u>702</u>
Total equity securities	302,128	-	-	302,128
Fixed Income securities:				
Corporate bonds - domestic	22,757	-	-	22,757
Treasury securities	59,079	-	-	59,079
Federal agencies	22,990	-	-	22,990
Mutual funds	<u>81,038</u>	<u>-</u>	<u>-</u>	<u>81,038</u>
Total	<u>\$ 487,992</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 487,992</u>

**Note 4 Temporarily Restricted Net Assets**

Temporarily restricted net assets consisted of the following as of December 31, 2014:

2014-2015 OTIS grant contribution	<u>\$ 80,000</u>
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As of December 31, 2014, grant contributions expected to be received in future periods from the Organization of Teratology Information Specialists (OTIS) totaled \$80,000, which are included in temporarily restricted net assets in the accompanying statements of financial position.



**The Genesis Foundation for Children, Inc.**  
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**Note 5 Related Party Transactions**

During the years ended December 31, 2014 and 2013, the Foundation's Board of Directors awarded the Center \$141,056 and \$145,214, respectively, to cover the administrative costs of the Center.

During the year ended December 31, 2013, the Foundation was advanced \$100,000 from the President of the Foundation. This advance is payable on demand and interest is charged monthly at a rate of .42%. As of December 31, 2014 and 2013, the outstanding balance on this obligation totaled \$75,250 each year. For the years ended December 31, 2014 and 2013, interest charged on this note totaled \$500 each year.

During the years ended December 31, 2014 and 2013, members of the Foundation's Board of Directors made contributions totaling \$159,117 and \$108,470, respectively.

**Note 6 Operating Leases**

The Foundation leases certain operating facilities and office equipment under terms of operating leases expiring in 2018. The Foundation also leases storage space under a tenant-at-will arrangement. Rent expense under the terms of these agreements for the years ended December 31, 2014 and 2013 totaled \$21,936 each year.

Future minimum lease payments under non-cancelable operating leases, by year and in aggregate, are as follows:

Year Ending <u>December 31,</u>	
2015	\$ 22,716
2016	14,591
2017	3,216
2018	<u>268</u>
Total Future Minimum Lease Payments	<u>\$ 40,791</u>

**Note 7 Commitment**

Under the Foundation's agreement with BCH, the Foundation is required to provide an annual grant to BCH to offset any operating deficit incurred by the Center, as defined in the agreement. During the years ended December 31, 2014 and 2013, the Foundation incurred \$251,340 and \$222,194, respectively, to cover such operating deficit. As of December 31, 2014 and 2013, the amount due to BCH totaled \$166,339 and \$123,554, respectively, which is included in accounts payable and accrued expenses on the accompanying statements of financial position.

**The Genesis Foundation for Children, Inc.**  
**Notes to Financial Statements**  
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**Note 8 Contributions Receivable**

Contributions receivable at December 31, 2014 and 2013 are expected to be realized in the following periods:

	<u>2014</u>	<u>2013</u>
In less than one year	\$ 149,538	\$ 74,563
Between one year and five years	<u>-</u>	<u>-</u>
Total contributions receivable	149,538	74,563
Allowance for uncollectible promises to give	<u>-</u>	<u>-</u>
Net contributions receivable	<u>\$ 149,538</u>	<u>\$ 74,563</u>

**Note 9 Intangible Assets**

The following is a summary of intangible assets other than goodwill at December 31:

<u>2014</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>
Website development costs	\$ <u>8,000</u>	\$ <u>333</u>

The Company is amortizing website development costs over a period of ten years. Amortization charged to operations totaled \$333 for the year ended December 31, 2014.

A summary of estimated amortization expense for the next five years is as follows:

<u>Year Ending December 31,</u>	<u>Amortization Expense</u>
2015	\$ 800
2016	800
2017	800
2018	800
2019	800

**Note 10 Contributed Services**

During the year ended December 31, 2014, the Foundation received professional services related to strategic communications from Liberty Square Group, Inc. on a pro-bono basis. These services included planning sessions, development, and execution for fundraising events held during the year. The fair value of the services received totaled \$60,000 for the year ended December 31, 2014.

**Note 11 Subsequent Events**

The Foundation has evaluated all subsequent events through July 14, 2015, the date the financial statements were available to be issued.