



The Genesis Foundation for Children, Inc.

**Financial Statements for the Years Ended
December 31, 2018 and 2017**



CARAS & SHULMAN, PC
Certified Public Accountants
Business Advisors

The Genesis Foundation for Children, Inc.
Financial Statements for the Years Ended December 31, 2018 and 2017

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Independent Auditor's Report

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

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, 2018 and 2017, 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 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 The Genesis Foundation for Children, Inc. as of December 31, 2018 and 2017, 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.

Caras & Shulman, PC

Caras & Shulman, PC
Certified Public Accountants

August 8, 2019

The Genesis Foundation for Children, Inc.
Statements of Financial Position
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 384,312	\$ 356,713
Contributions receivable	67,323	72,355
Prepaid expenses and other current assets	<u>20,018</u>	<u>15,323</u>
Total current assets	<u>471,653</u>	<u>444,391</u>
Property and equipment:		
Office Equipment	22,483	40,412
Furniture and fixtures	<u>-</u>	<u>11,768</u>
Total property and equipment	22,483	52,180
Less accumulated depreciation	<u>19,487</u>	<u>49,008</u>
Net property and equipment	<u>2,996</u>	<u>3,172</u>
Other assets:		
Investments, available for sale	477,106	504,886
Website development costs, net	<u>4,467</u>	<u>5,267</u>
Total other assets	<u>481,573</u>	<u>510,153</u>
Total Assets	<u>\$ 956,222</u>	<u>\$ 957,716</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	<u>\$ 268,057</u>	<u>\$ 259,993</u>
Net Assets:		
Without donor restrictions		
Designated by the board of directors	475,000	475,000
Designated by the board for patient assistance	236,746	245,393
Undesignated	<u>(92,225)</u>	<u>(86,662)</u>
Total without donor restrictions	619,521	633,731
With donor restrictions	<u>68,644</u>	<u>63,992</u>
Total net assets	<u>688,165</u>	<u>697,723</u>
Total Liabilities and Net Assets	<u>\$ 956,222</u>	<u>\$ 957,716</u>

The Genesis Foundation for Children, Inc.
Statement of Activities
For the Year Ended December 31, 2018

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Support and revenues:			
Special event income	\$ 901,371	\$ -	\$ 901,371
Contributions	176,117	-	176,117
Sub-grant awards	2,000	50,000	52,000
Third party event income	79,608	-	79,608
Net assets released from restrictions	<u>45,348</u>	<u>(45,348)</u>	<u>-</u>
Total support and revenues	<u>1,204,444</u>	<u>4,652</u>	<u>1,209,096</u>
Expenses:			
Program services:			
Donations, Boston Children's Hospital	300,590	-	300,590
Donations, Therapy and The Performing Arts	30,692	-	30,692
Donations, Mother To Baby	5,519	-	5,519
Donations, Children's Needs	6,408	-	6,408
Donations, Jennifer Creed Fund	<u>79,343</u>	<u>-</u>	<u>79,343</u>
Total program services	<u>422,552</u>	<u>-</u>	<u>422,552</u>
Support services:			
Special event expenses	314,144	-	314,144
Fundraising	256,712	-	256,712
Management and general	<u>200,597</u>	<u>-</u>	<u>200,597</u>
Total support services	<u>771,453</u>	<u>-</u>	<u>771,453</u>
Total expenses	<u>1,194,005</u>	<u>-</u>	<u>1,194,005</u>
Change in net assets from operating activities	10,439	4,652	15,091
Non-operating gains (losses) and other support:			
Loss on disposal of property and equipment	(97)		(97)
Interest income	1,909	-	1,909
Net investment loss	<u>(26,461)</u>	<u>-</u>	<u>(26,461)</u>
Change in net assets	(14,210)	4,652	(9,558)
Net assets, beginning of year	<u>633,731</u>	<u>63,992</u>	<u>697,723</u>
Net assets, End of Year	<u>\$ 619,521</u>	<u>\$ 68,644</u>	<u>\$ 688,165</u>

The Genesis Foundation for Children, Inc.
Statement of Activities
For the Year Ended December 31, 2017

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Support and revenues:			
Special event income	\$ 962,280	\$ -	\$ 962,280
Contributions	453,551	-	453,551
Sub-grant awards	24,510	25,490	50,000
Third party event income	13,857	-	13,857
Net assets released from restrictions	49,033	(49,033)	-
	<u>1,503,231</u>	<u>(23,543)</u>	<u>1,479,688</u>
Total support and revenues			
Expenses:			
Program services:			
Donations, Boston Children's Hospital	286,800	-	286,800
Donations, Therapy and The Performing Arts	18,878	-	18,878
Donations, Mother To Baby	5,689	-	5,689
Donations, Children's Needs	299	-	299
Donations, Jennifer Creed Fund	66,088	-	66,088
	<u>377,754</u>	<u>-</u>	<u>377,754</u>
Total program services			
Support services:			
Special event expenses	281,372	-	281,372
Fundraising	520,809	-	520,809
Management and general	223,275	-	223,275
	<u>1,025,456</u>	<u>-</u>	<u>1,025,456</u>
Total support services			
Total expenses	<u>1,403,210</u>	<u>-</u>	<u>1,403,210</u>
Change in net assets from operating activities	100,021	(23,543)	76,478
Non-operating gains and other support:			
Interest Income	749	-	749
Net investment return	59,330	-	59,330
	<u>160,100</u>	<u>(23,543)</u>	<u>136,557</u>
Change in net assets			
Net assets, beginning of year	<u>473,631</u>	<u>87,535</u>	<u>561,166</u>
Net assets, End of Year	<u>\$ 633,731</u>	<u>\$ 63,992</u>	<u>\$ 697,723</u>

The Genesis Foundation for Children, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services	Special Event Expenses	Fundraising	Management and General	Total
Special events	\$ -	\$ 314,144	\$ -	\$ -	\$ 314,144
Donations, Boston Children's Hospital	300,590	-	-	-	300,590
Donations, Therapy and The Performing Arts	30,692	-	-	-	30,692
Donations, Mother To Baby	5,519	-	-	-	5,519
Donations, Children's Needs	6,408	-	-	-	6,408
Donations, Jennifer Creed Fund	79,343	-	-	-	79,343
Payroll	-	-	190,793	82,640	273,433
Payroll taxes	-	-	17,220	6,694	23,914
Professional fees	-	-	-	46,679	46,679
Computer expense	-	-	-	25,477	25,477
Rent	-	-	12,601	4,899	17,500
Employee benefits	-	-	22,942	8,918	31,860
Office	-	-	1,859	9,439	11,298
Insurance	-	-	-	9,590	9,590
Fundraising expenses	-	-	7,071	-	7,071
Telephone	-	-	2,211	860	3,071
Travel, meals and entertainment	-	-	-	598	598
Depreciation	-	-	2,015	784	2,799
Printing and publications	-	-	-	1,199	1,199
Bank charges	-	-	-	1,039	1,039
Meetings and conferences	-	-	-	232	232
Annual report	-	-	-	519	519
Professional development	-	-	-	230	230
Amortization, website development costs	-	-	-	800	800
Total Functional Expenses	\$ 422,552	\$ 314,144	\$ 256,712	\$ 200,597	\$ 1,194,005

The Genesis Foundation for Children, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services	Special Event Expenses	Fundraising	Management and General	Total
Special events	\$ -	\$ 281,372	\$ -	\$ -	\$ 281,372
Donations, Boston Children's Hospital	286,800	-	-	-	286,800
Donations, Therapy and The Performing Arts	18,878	-	-	-	18,878
Donations, Mother To Baby	5,689	-	-	-	5,689
Donations, Children's Needs	299	-	-	-	299
Donations, Jennifer Creed Fund	66,088	-	-	-	66,088
Payroll	-	-	197,487	79,781	277,268
Payroll taxes	-	-	16,235	6,558	22,793
Professional fees	-	-	-	48,452	48,452
Computer expense	-	-	-	48,250	48,250
Rent	-	-	12,465	5,035	17,500
Employee benefits	-	-	23,058	9,315	32,373
Office	-	-	3,645	7,759	11,404
Insurance	-	-	-	9,046	9,046
Fundraising expenses	-	-	4,270	-	4,270
Telephone	-	-	2,159	872	3,031
Travel, meals and entertainment	-	-	-	625	625
Depreciation	-	-	2,685	1,085	3,770
Repairs and maintenance	-	-	-	-	-
Printing and publications	-	-	-	2,412	2,412
Bank charges	-	-	-	1,748	1,748
Meetings and conferences	-	-	-	1,122	1,122
Annual report	-	-	-	415	415
Amortization, website development costs	-	-	-	800	800
Advertising	-	-	258,805	-	258,805
Total Functional Expenses	\$ 377,754	\$ 281,372	\$ 520,809	\$ 223,275	\$ 1,403,210

The Genesis Foundation for Children, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash (used for) provided by operating activities:		
Change in net assets	\$ (9,558)	\$ 136,557
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation and amortization	3,599	4,570
Net realized and unrealized losses (gains) on investments	33,491	(53,384)
Loss on disposal of property and equipment	97	
Donation of investment securities	-	(13,266)
Changes in operating assets and liabilities:		
Contribution receivable	5,032	13,640
Prepaid expenses and other current assets	(4,695)	5,214
Accounts payable and accrued expenses	<u>8,064</u>	<u>46,485</u>
Net cash provided by operating activities	<u>36,030</u>	<u>139,816</u>
Cash (used for) provided by investing activities:		
Purchases of investments	(177,440)	(131,185)
Proceeds from sale of investments	171,729	136,919
Acquisition of property and equipment	<u>(2,720)</u>	<u>-</u>
Net cash (used for) provided by investing activities	<u>(8,431)</u>	<u>5,734</u>
Increase in cash and cash equivalents	27,599	145,550
Cash and cash equivalents, beginning of year	<u>356,713</u>	<u>211,163</u>
Cash and Cash Equivalents, End of Year	<u>\$ 384,312</u>	<u>\$ 356,713</u>

The Genesis Foundation for Children, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

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 various not-for-profit organizations that support the treatment and prevention of birth defects and children with special needs.

The Foundation primarily funds The Feingold Center for Children ("Center") located at Boston Children's Hospital ("BCH"). The Center addresses the clinical needs of its patients and provides comprehensive care which includes making referrals to the best medical specialists, coordinating multiple appointments, offering satellite clinics in local communities, and having sufficient time to answer the many questions that parents have regarding their child's condition and care. 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 8). Funding is also given to support the Therapy and Performing Arts program, which provides therapeutic arts and recreational programs on Cape Cod, the Jennifer Creed Fund, which supports the families of children with cancer or birth defects by providing funds to help with the unseen financial hardships of childhood illness, and Mother To Baby, which provides education and information concerning exposures that could potentially harm a developing baby.

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.

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") 958-205, Financial Statements of Not-for-Profit Organizations. Under FASB ASC 958-205, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions or net assets with donor restrictions.

A description of the net assets without donor restrictions and net assets with donor restrictions classes follows:

Net assets without donor restrictions are resources available to support operations. The only limits on the use of net assets without donor restrictions 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. Net assets without donor restrictions also include amounts designated by the Board of Directors (the "Board") for future use.

Net assets with donor restrictions 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 with donor restrictions to net assets without donor restrictions. Donor imposed restrictions that are met in the same period they are received are recorded as unrestricted support.

The Genesis Foundation for Children, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

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, 2018 and 2017, 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 5).

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, realized, and unrealized gains (losses) are reflected in the statements of activities.

Securities investments that are bought and held principally for the purpose of selling them in the near term are classified as trading securities. Trading securities are recorded at fair value on the combined balance sheet in current assets, with the change in fair value during the period included in earnings.

Securities investments that the Foundation has the positive intent and ability to hold to maturity are classified as held to maturity securities and recorded at amortized cost in other assets.

Securities investments not classified as either held-to-maturity or trading securities are classified as available for sale securities. Available for sale (AFS) securities are recorded at fair value in other assets in the statement of financial position, with the change in fair value during the period included in unrealized gains (losses) on investments.

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.

The Genesis Foundation for Children, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

Note 1 Accounting Policies (continued)

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>
Office Equipment	3 - 7
Furniture and fixtures	7

For the years ended December 31, 2018 and 2017, depreciation expense totaled \$2,799 and \$3,770, 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 without donor restrictions net asset class. Contributions received with donor-imposed restrictions that are met subsequent to the year in which they are received are reported as net assets with donor restrictions. A reclassification to net assets without restrictions 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 without donor restrictions. Contributions of cash or other assets with donor stipulations to be used to acquire land, buildings and equipment are reported as revenues of the with donor restrictions net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

The Genesis Foundation for Children, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

Note 1 Accounting Policies (continued)

Contributions of services are reported as revenues and expenses without donor restrictions 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 without donor restrictions net asset class at the time the goods or space is received. For the years ended December 31, 2018 and 2017, the Foundation received contributed materials and services totaling \$107,966 and \$337,658, respectively.

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 year ended December 31, 2018, no advertising expenses were incurred. For the year ended December 31, 2017, advertising expense totaled \$258,805.

Tax Status

The Foundation qualifies as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC) and therefore is not subject to income tax. The Foundation is not a private foundation under Section 509(a)(1). Certain unrelated business income, as defined in the IRC, is subject to federal income tax. For the years ended December 31, 2018 and 2017, there was no liability for tax on unrelated business income.

The Foundation follows accounting guidance provided in FASB ASC 740, "Income Taxes" with regard to accounting for uncertain income tax positions. This guidance provides 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, 2018 and 2017, the Foundation does not believe that it has taken any tax positions that would require the recording of a 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. The Foundation's annual returns are not currently under examination by any taxing jurisdictions.

The Genesis Foundation for Children, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

Note 1 Accounting Policies (continued)

New Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14 to clarify the requirements for net asset classification and enhance the information presented in the financial statements and footnotes regarding a not-for-profit entity's liquidity, financial performance, net investment return and cash flows. Based on the effective date for all not-for-profit organizations, this guidance is effective for the year ended December 31, 2018 and for all comparative periods presented. The adoption of this guidance did not have an impact on the Foundation's statements of financial position, statement of activities or cash flows.

Reclassifications

Certain reclassifications have been made to the December 31, 2017 financial statements to conform to classifications used at December 31, 2018.

Note 2 Investments, Available For Sale

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

<u>2018</u>	<u>Cost</u>	<u>Fair Value</u>
Stocks	\$ 254,226	\$ 267,101
Mutual funds, exchange-traded and closed-end funds	98,451	92,532
Fixed income securities	<u>118,303</u>	<u>117,473</u>
Total	<u>\$ 470,980</u>	<u>\$ 477,106</u>
 <u>2017</u>	 <u>Cost</u>	 <u>Fair Value</u>
Stocks	\$ 261,185	\$ 311,853
Mutual funds, exchange-traded and closed-end funds	91,125	88,811
Fixed income securities	<u>103,692</u>	<u>104,222</u>
Total	<u>\$ 456,002</u>	<u>\$ 504,886</u>

At December 31, 2018, investments in debt securities classified as available for sale were scheduled to mature as follows:

	<u>Fair Value</u>
Between 1 – 5 years	\$ 55,305
Between 6 – 10 years	32,460
Between 11 – 15 years	3,847
Between 16 – 20 years	-
Thereafter	<u>25,861</u>
Total	<u>\$ 117,473</u>

The Genesis Foundation for Children, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

Note 2 Investments, available for sale (continued)

For the years ended December 31, 2018 and 2017, the components of net investment return (loss) on the statements of activities are as follows:

	<u>2018</u>	<u>2017</u>
Interest income	\$ 3,160	\$ 2,484
Dividends	10,893	10,020
Realized gains	9,641	18,719
Unrealized gains (loss)	(43,132)	34,665
Investment expenses	<u>(7,023)</u>	<u>(6,558)</u>
Total investment return (loss)	<u>\$ (26,461)</u>	<u>\$ 59,330</u>

Note 3 Intangible Assets

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

<u>2018</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>
Website development costs	\$ <u>8,000</u>	\$ <u>3,533</u>
<u>2017</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>
Website development costs	\$ <u>8,000</u>	\$ <u>2,733</u>

The Foundation is amortizing website development costs over a period of ten years. Amortization charged to operations for the years ended December 31, 2018 and 2017 totaled \$800 each year.

Amortization expense for the next five years totals \$800 each year.

Note 4 Related Party Transactions

During the years ended December 31, 2018 and 2017, members of the Foundation's Board of Directors made contributions totaling \$228,268 and \$290,216, respectively, and in-kind donations totaling \$46,630 and \$70,090, respectively.

During the year ended December 31, 2017, the Foundation received a donation of \$50,000 to the Herbert S. Hoffman Patient Assistance Fund from an immediate family member of the President of the Foundation. The Foundation did not receive any related party donations to the Herbert S. Hoffman Patient Assistance Fund during the year ended December 31, 2018.

During the years ended December 31, 2018, and 2017 the Foundation occupied donated office space for which the President of the Foundation has an ownership interest in. The annual rent expense is valued at approximately \$17,500 each year.

The Genesis Foundation for Children, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

Note 5 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.

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.

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Note 5 Fair Value Measurements (continued)

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, 2018 and 2017.

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

2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities:				
Large core - domestic	\$ 44,261	\$ -	\$ -	\$ 44,261
Large growth - international	36,131	-	-	36,131
Large growth - domestic	40,610	-	-	40,610
Large value - domestic	61,275	-	-	61,275
Large value - international	27,759	-	-	27,759
Large core - international	29,163	-	-	29,163
Mid value - domestic	2,239	-	-	2,239
Mid growth - domestic	9,412	-	-	9,412
Mid core - domestic	5,882	-	-	5,882
Mid growth - international	3,355	-	-	3,355
Mid value - international	2,214	-	-	2,214
Mid core - international	2,490	-	-	2,490
Other - domestic	212	-	-	212
Other - international	822	-	-	822
Small value - domestic	605	-	-	605
Small core - domestic	<u>671</u>	-	-	<u>671</u>
Total equity securities	267,101	-	-	267,101
Fixed income securities:				
Corporate bonds - domestic	60,416	-	-	60,416
Government securities	<u>57,057</u>	-	-	<u>57,057</u>
Total fixed income securities	<u>117,473</u>	-	-	<u>117,473</u>
Mutual funds	<u>92,532</u>	-	-	<u>92,532</u>
Total	<u>\$ 477,106</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 477,106</u>

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Note 5 Fair Value Measurements (continued)

<u>2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities:				
Large core - domestic	\$ 53,024	\$ -	\$ -	\$ 53,024
Large growth - international	36,529	-	-	36,529
Large growth - domestic	41,344	-	-	41,344
Large value - domestic	58,042	-	-	58,042
Large value - international	37,891	-	-	37,891
Large core - international	35,617	-	-	35,617
Mid value - domestic	5,092	-	-	5,092
Mid growth - domestic	11,245	-	-	11,245
Mid core - domestic	17,441	-	-	17,441
Mid growth - international	3,410	-	-	3,410
Mid value - international	3,082	-	-	3,082
Mid core - international	4,705	-	-	4,705
Other - domestic	720	-	-	720
Other - international	1,207	-	-	1,207
Small value - domestic	882	-	-	882
Small core - domestic	<u>1,622</u>	-	-	<u>1,622</u>
Total equity securities	311,853	-	-	311,853
Fixed income securities:				
Corporate bonds - domestic	55,784	-	-	55,784
Government securities	<u>48,438</u>	-	-	<u>48,438</u>
Total fixed income securities	<u>104,222</u>	-	-	<u>104,222</u>
Mutual funds	<u>88,811</u>	-	-	<u>88,811</u>
Total	<u>\$ 504,886</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 504,886</u>

Note 6 Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of December, 31:

	<u>2018</u>	<u>2017</u>
OTIS grant contribution	<u>\$ 68,644</u>	<u>\$ 63,992</u>

As of December 31, 2018 and 2017, grant contributions expected to be received in future periods from the Organization of Teratology Information Specialists (OTIS) totaled \$37,500 for each year and are included in net assets with restrictions in the accompanying statements of financial position.

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Note 7 Patient Assistance Fund

During the year ended December 31, 2014, the Foundation created The Campaign for the Herbert S. Hoffman Patient Assistance Fund. The proceeds from this \$500,000 capital campaign are earmarked for a patient assistance fund to cover the cost of assistive technology to improve the lives of children with challenges of sight, hearing, speech, and motor skills, as well as to aid patients by covering the difference in cost between health insurance reimbursements and the actual cost of patient care. The Foundation placed an internal restriction on the proceeds raised by the campaign. As of December 31, 2018 and 2017, these amounts are held in a money market account.

Changes in patient assistance net assets for the year ended December 31, 2018 and 2017, are as follows:

	<u>2018</u>	<u>2017</u>
Unrestricted – designated by the board for patient assistance, beginning of year	\$ 245,393	\$ 169,300
Contributions and interest income	1,353	86,992
Amounts appropriated for expenditure	<u>(10,000)</u>	<u>(10,899)</u>
Unrestricted – designated by the board for patient assistance, end of year	<u>\$ 236,746</u>	<u>\$ 245,393</u>

Note 8 Operating Leases

The Foundation leases certain office equipment under terms of operating leases expiring in 2023. Lease expense under the terms of these agreements for the years ended December 31, 2018 and 2017 totaled \$3,804 and \$4,919, respectively.

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

<u>Year Ending December 31,</u>	
2019	\$ 3,720
2020	3,720
2021	3,720
2022	3,720
2023	<u>2,240</u>
Total Future Minimum Lease Payments	<u>\$ 17,120</u>

Note 9 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, 2018 and 2017, the Foundation appropriated \$300,590 and \$286,800, respectively, to fund BCH's operating deficits. As of December 31, 2018 and 2017, the amount due to BCH totaled \$139,895 and \$137,119, respectively, which is included in accounts payable and accrued expenses on the accompanying statements of financial position.

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Note 10 Liquidity and Availability

The Foundation had \$903,741 of financial assets available within one year of the reporting date to meet cash needs for general expenditures consisting of cash of \$384,312, contributions receivable without restrictions of \$42,323, and investments of \$477,106. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure. Contributions receivable may be subject to implied time restrictions but are expected to be collected within one year. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 11 Subsequent Events

The Foundation has evaluated all subsequent events through August 8, 2019 the date the financial statements were available to be issued.