



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

**Financial Statements for the Years Ended  
December 31, 2013 and 2012**



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

**The Genesis Foundation for Children, Inc.**  
**Financial Statements for the Years Ended December 31, 2013 and 2012**

**Contents**

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Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8



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**CARAS & SHULMAN, P.C.**  
Certified Public Accountants  
Business Advisors

Independent Auditor's Report

The Board of Directors of  
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, 2013 and 2012, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2013 and 2012, 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, 2013 and 2012 have been issued separately.

*Caras & Shulman, P.C.*

Caras & Shulman, PC  
Certified Public Accountants

July 23, 2014

**The Genesis Foundation for Children, Inc.**  
**Statements of Financial Position**  
**December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 95,093	\$ 201,849
Contributions receivable	74,563	41,945
Prepaid expenses and other current assets	<u>22,847</u>	<u>33,111</u>
Total current assets	<u>192,503</u>	<u>276,905</u>
Property and equipment:		
Equipment	36,270	50,836
Furniture and fixtures	11,768	11,768
Motor vehicles	<u>18,500</u>	<u>18,500</u>
Total property and equipment	66,538	81,104
Less accumulated depreciation	<u>50,584</u>	<u>76,337</u>
Net property and equipment	<u>15,954</u>	<u>4,767</u>
Other assets:		
Investments	487,992	472,182
Security deposit	<u>1,550</u>	<u>1,550</u>
Total other assets	<u>489,542</u>	<u>473,732</u>
Total Assets	<u>\$ 697,999</u>	<u>\$ 755,404</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 210,013	\$ 412,956
Note payable, related party	<u>75,250</u>	<u>-</u>
Total liabilities	<u>285,263</u>	<u>412,956</u>
Net Assets:		
Unrestricted - designated by the board of directors	475,000	475,000
Unrestricted - undesignated	<u>(62,264)</u>	<u>(152,552)</u>
Total unrestricted net assets	412,736	322,448
Temporarily restricted net assets	<u>-</u>	<u>20,000</u>
Total net assets	<u>412,736</u>	<u>342,448</u>
Total Liabilities and Net Assets	<u>\$ 697,999</u>	<u>\$ 755,404</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	20,000	(20,000)	-
	<u>1,235,213</u>	<u>(20,000)</u>	<u>1,215,213</u>
Total support and revenues			
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	1,872	-	1,872
	<u>377,080</u>	<u>-</u>	<u>377,080</u>
Total program services			
Support services:			
Special event expenses	449,501	-	449,501
Fundraising	288,820	-	288,820
Management and general	111,547	-	111,547
	<u>849,868</u>	<u>-</u>	<u>849,868</u>
Total support services			
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)
Nonoperating gains, losses and other support:			
Other income	22,761	-	22,761
Net realized and unrealized gains on investments	59,262	-	59,262
	<u>90,288</u>	<u>(20,000)</u>	<u>70,288</u>
Change in net assets			
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 Activities**  
**For the Year Ended December 31, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenues:			
Special event income	\$ 902,794	\$ -	\$ 902,794
Contributions	141,109	20,000	161,109
Grant income	25,000	-	25,000
Third party event income	8,926	-	8,926
Investment income	15,494	-	15,494
	<u>1,093,323</u>	<u>20,000</u>	<u>1,113,323</u>
Total support and revenues			
Expenses:			
Program services:			
Donations, Boston Children's Hospital	326,635	-	326,635
Donations, The Feingold Center for Children	172,013	-	172,013
Donations, Therapy and The Performing Arts	6,695	-	6,695
Donations, Children's Needs	3,827	-	3,827
	<u>509,170</u>	<u>-</u>	<u>509,170</u>
Total program services			
Support services:			
Special event expenses	447,135	-	447,135
Fundraising	232,170	-	232,170
Management and general	122,791	-	122,791
	<u>802,096</u>	<u>-</u>	<u>802,096</u>
Total support services			
Total expenses	<u>1,311,266</u>	<u>-</u>	<u>1,311,266</u>
Change in net assets from operating activities	(217,943)	20,000	(197,943)
Nonoperating gains, losses and other support:			
Net realized and unrealized gains on investments	36,143	-	36,143
Change in net assets	(181,800)	20,000	(161,800)
Net assets, beginning of year	<u>504,248</u>	<u>-</u>	<u>504,248</u>
Net assets, End of Year	<u>\$ 322,448</u>	<u>\$ 20,000</u>	<u>\$ 342,448</u>

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

	Program Services	Fundraising	Special Event Expenses	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>\$ 288,820</b>	<b>\$ 449,501</b>	<b>\$ 111,547</b>	<b>\$ 1,226,948</b>

**The Genesis Foundation for Children, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2012**

	Program Services	Fundraising	Special Event Expenses	Management and General	Total
Special events	\$ -	\$ -	\$ 447,135	\$ -	\$ 447,135
Donations, Boston Children's Hospital	326,635	-	-	-	326,635
Donations, The Feingold Center for Children	172,013	-	-	-	172,013
Donations, Therapy and The Performing Arts	6,695	-	-	-	6,695
Donations, Children's Needs	3,827	-	-	-	3,827
Payroll	-	164,288	-	28,088	192,376
Payroll taxes	-	15,381	-	2,630	18,011
Professional fees	-	-	-	48,214	48,214
Computer expense	-	-	-	14,433	14,433
Rent	-	15,987	-	2,733	18,720
Employee benefits	-	11,303	-	1,933	13,236
Office	-	3,781	-	3,622	7,403
Insurance	-	-	-	8,335	8,335
Fundraising expenses	-	11,632	-	-	11,632
Telephone	-	4,686	-	801	5,487
Travel	-	-	-	1,038	1,038
Investment fees	-	-	-	5,764	5,764
Depreciation	-	2,185	-	374	2,559
Repairs and maintenance	-	2,927	-	501	3,428
Printing and publications	-	-	-	1,796	1,796
Bank charges	-	-	-	1,043	1,043
Meetings and conferences	-	-	-	271	271
Miscellaneous	-	-	-	635	635
Annual report	-	-	-	340	340
Advertising	-	-	-	240	240
<b>Total Functional Expenses</b>	<b>\$ 509,170</b>	<b>\$ 232,170</b>	<b>\$ 447,135</b>	<b>\$ 122,791</b>	<b>\$ 1,311,266</b>



**The Genesis Foundation for Children, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Operating Activities:		
Change in net assets	\$ 70,288	\$ (161,800)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation	3,477	2,559
Net realized and unrealized gains on investments	(59,262)	(36,143)
Donation of equipment	(13,900)	-
Changes in operating assets and liabilities		
Contribution receivable	(32,618)	(27,295)
Prepaid expenses and other current assets	10,264	(12,132)
Due from affiliate	-	425
Accounts payable and accrued expenses	(202,943)	315,749
Security deposit	-	(1,550)
	<u>          </u>	<u>          </u>
Net cash provided by (used for) operating activities	<u>(224,694)</u>	<u>79,813</u>
Investing activities:		
Proceeds from sale of investments	387,162	462,969
Purchases of investments	(343,710)	(424,476)
Acquisition of property and equipment	(764)	-
	<u>          </u>	<u>          </u>
Net cash provided by investing activities	<u>42,688</u>	<u>38,493</u>
Financing activities:		
Proceeds from affiliate loan	75,250	-
	<u>          </u>	<u>          </u>
Increase (decrease) in cash and cash equivalents	(106,756)	118,306
Cash and cash equivalents, beginning of year	<u>201,849</u>	<u>83,543</u>
Cash and Cash Equivalents, End of Year	<u>\$ 95,093</u>	<u>\$ 201,849</u>
<u>Supplemental disclosure of cash flows:</u>		
Cash paid for interest	<u>\$ 500</u>	<u>\$ -</u>

**The Genesis Foundation for Children, Inc.**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

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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***

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 financial statements of the Foundation have been prepared on the accrual basis of accounting 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 represent the portion of net assets of the Foundation that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets include amounts designated by the Board of Directors.

Temporarily restricted net assets represent contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations.

Permanently restricted net assets represent contributions and other inflows of assets whose use by the Foundation is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. The Foundation has no permanently restricted net assets.

***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.

**The Genesis Foundation for Children, Inc.**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

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**Note 1 Accounting Policies (continued)**

***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, 2013 and 2012, 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

For the years ended December 31, 2013 and 2012, depreciation expense totaled \$3,477 and \$2,559, respectively.

**The Genesis Foundation for Children, Inc.**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

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**Note 1 Accounting Policies (continued)**

***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, 2013 and 2012, the Foundation received contributed materials and services totaling \$88,419 and \$81,734, 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.

**The Genesis Foundation for Children, Inc.**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

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**Note 1 Accounting Policies (continued)**

***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, 2013 and 2012, advertising expense totaled \$143 and \$240, 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, 2013, the Foundation does not believe that it has taken any tax positions that would require the recording of any 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>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>

**The Genesis Foundation for Children, Inc.**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

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**Note 2 Investments (Continued)**

<u>2012</u>	<u>Cost</u>	<u>Fair Value</u>
Stocks	\$ 242,019	\$ 278,205
Fixed income securities	117,053	119,309
Mutual funds	<u>75,949</u>	<u>74,668</u>
Total	<u>\$ 435,021</u>	<u>\$ 472,182</u>

Realized gains on investments for the years ended December 31, 2013 and 2012 totaled \$45,648 and \$32,395, respectively. Unrealized gains on investments for the years ended December 31, 2013 and 2012 totaled \$13,614 and \$3,748, 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, 2013 and 2012**

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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, 2013 and 2012.

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

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

**The Genesis Foundation for Children, Inc.**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

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

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>

2012

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities:				
Large value – domestic	\$ 51,379	\$ -	\$ -	\$ 51,379
Large growth - domestic	51,159	-	-	51,159
Large core - domestic	37,910	-	-	7,910
Large blend - international	34,907	-	-	34,907
Mid growth - domestic	27,090	-	-	27,090
Mid value - domestic	19,406	-	-	19,406
Mid core - domestic	18,722	-	-	18,722
Equity energy	11,515	-	-	11,515
Large growth – international	5,416	-	-	5,416
Large value - international	4,835	-	-	4,835
Small value - domestic	4,598	-	-	4,598
Large core - international	3,303	-	-	3,303
Small core – domestic	1,713	-	-	1,713
Mid core – international	1,287	-	-	1,287
Other	<u>4,964</u>	<u>-</u>	<u>-</u>	<u>4,964</u>
Total equity securities	278,204	-	-	278,204
Fixed Income securities:				
Corporate bonds - domestic	38,218	-	-	38,218
Treasury securities	47,227	-	-	47,227
Federal agencies	33,865	-	-	33,865
Mutual funds	<u>74,668</u>	<u>-</u>	<u>-</u>	<u>74,668</u>
Total	<u>\$ 472,182</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 472,182</u>

**Note 4 Temporarily Restricted Net Assets**

Temporarily restricted net assets consisted of the following as of December 31, 2012:

2013 Ocean Spray contribution	<u>\$ 20,000</u>
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During the year ended December 31, 2013 net assets released from restrictions upon expiration of time limitations totaled \$20,000.



**The Genesis Foundation for Children, Inc.**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

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**Note 5 Related Party Transactions**

During the years ended December 31, 2013 and 2012, the Foundation's Board of Directors awarded the Center \$145,214 and \$172,013, respectively, for administrative costs of the Center, which includes and \$4,680, each year, of rental expense incurred by the Center on behalf of the Foundation (note 6).

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, 2013, the outstanding balance on this obligation totaled \$75,250. For the year ended December 31, 2013, interest charged on this note totaled \$500.

**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, 2013 and 2012 totaled \$26,616 and \$23,400, respectively, of which \$21,936 and \$18,720, respectively, was incurred by the Foundation (note 5).

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

<u>Year Ending</u> <u>December 31,</u>	
2014	\$ 22,191
2015	22,716
2016	14,591
2017	3,216
2018	<u>268</u>
Total Future Minimum Lease Payments	<u>\$ 62,982</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. During the years ended December 31, 2013 and 2012, the Foundation accrued \$222,194 and \$326,635, respectively, to cover such operating deficit. As of December 31, 2013 and 2012, the amount due to BCH totaled \$123,554 and \$376,635, respectively, which is included in accounts payable and accrued expenses on the accompanying statements of financial position.

**Note 8 Subsequent Events**

The Foundation has evaluated all subsequent events through July 23, 2014, the date the financial statements were available to be issued.