



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

**Financial Statements for the Years Ended  
December 31, 2015 and 2014**



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

**The Genesis Foundation for Children, Inc.**  
**Financial Statements for the Years Ended December 31, 2015 and 2014**

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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.  
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, 2015 and 2014, 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, 2015 and 2014, 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, 2015 and 2014 have been issued separately.

*Caras & Shulman, P.C.*

Caras & Shulman, PC  
Certified Public Accountants

June 24, 2016

**The Genesis Foundation for Children, Inc.**  
**Statements of Financial Position**  
**December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 242,658	\$ 234,584
Contributions receivable	107,006	149,538
Prepaid expenses and other current assets	<u>9,793</u>	<u>17,261</u>
Total current assets	<u>359,457</u>	<u>401,383</u>
Property and equipment:		
Equipment	38,741	38,741
Furniture and fixtures	<u>11,768</u>	<u>11,768</u>
Total property and equipment	50,509	50,509
Less accumulated depreciation	<u>41,457</u>	<u>37,733</u>
Net property and equipment	<u>9,052</u>	<u>12,776</u>
Other assets:		
Investments	426,766	533,404
Website development costs, net	6,867	7,667
Security deposit	<u>1,550</u>	<u>1,550</u>
Total other assets	<u>435,183</u>	<u>542,621</u>
Total Assets	<u>\$ 803,692</u>	<u>\$ 956,780</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 135,670	\$ 269,063
Note payable, related party	<u>-</u>	<u>75,250</u>
Total liabilities	<u>135,670</u>	<u>344,313</u>
Net Assets:		
Unrestricted - designated by the board of directors	475,000	475,000
Unrestricted - designated by the board for patient assistance	168,378	154,628
Unrestricted - undesignated	<u>(56,578)</u>	<u>(97,161)</u>
Total unrestricted net assets	586,800	532,467
Temporarily restricted net assets	<u>81,222</u>	<u>80,000</u>
Total net assets	<u>668,022</u>	<u>612,467</u>
Total Liabilities and Net Assets	<u>\$ 803,692</u>	<u>\$ 956,780</u>

**The Genesis Foundation for Children, Inc.**  
**Statement of Activities**  
**For the Year Ended December 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenues:			
Special event income	\$ 938,604	\$ -	\$ 938,604
Contributions	116,311	-	116,311
Grant and corporate sponsorship income	48,778	81,222	130,000
Third party event income	28,198	-	28,198
Investment income	11,824	-	11,824
Net assets released from restrictions	<u>80,000</u>	<u>(80,000)</u>	<u>-</u>
Total support and revenues	<u>1,223,715</u>	<u>1,222</u>	<u>1,224,937</u>
Expenses:			
Program services:			
Donations, Boston Children's Hospital	285,065	-	285,065
Donations, The Feingold Center for Children	79,286	-	79,286
Donations, Therapy and The Performing Arts	7,800	-	7,800
Donations, Pregnancy Exposure InfoLine	<u>22,494</u>	<u>-</u>	<u>22,494</u>
Total program services	<u>394,645</u>	<u>-</u>	<u>394,645</u>
Support services:			
Special event expenses	332,779	-	332,779
Fundraising	295,604	-	295,604
Management and general	<u>138,753</u>	<u>-</u>	<u>138,753</u>
Total support services	<u>767,136</u>	<u>-</u>	<u>767,136</u>
Total expenses	<u>1,161,781</u>	<u>-</u>	<u>1,161,781</u>
Change in net assets from operating activities	61,934	1,222	63,156
Non-operating gains, losses and other support:			
Interest income	395	-	395
Net realized and unrealized loss on investments	<u>(7,996)</u>	<u>-</u>	<u>(7,996)</u>
Change in net assets	54,333	1,222	55,555
Net assets, beginning of year	<u>532,467</u>	<u>80,000</u>	<u>612,467</u>
Net assets, End of Year	<u>\$ 586,800</u>	<u>\$ 81,222</u>	<u>\$ 668,022</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 and corporate sponsorship 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>34,490</u>	<u>-</u>	<u>34,490</u>
Change in net assets	119,731	80,000	199,731
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 Functional Expenses**  
**For the Year Ended December 31, 2015**

	Program Services	Special Event Expenses	Fundraising	Management and General	Total
Special events	\$ -	\$ 332,779	\$ -	\$ -	\$ 332,779
Donations, Boston Children's Hospital	285,065	-	-	-	285,065
Donations, The Feingold Center for Children	79,286	-	-	-	79,286
Donations, Therapy and The Performing Arts	7,800	-	-	-	7,800
Donations, Pregnancy Exposure InfoLine	22,494	-	-	-	22,494
Dr. Feingold memorial	-	-	18,224	-	18,224
Payroll	-	-	197,356	52,243	249,599
Payroll taxes	-	-	15,951	4,223	20,174
Professional fees	-	-	9,000	16,816	25,816
Computer expense	-	-	-	19,033	19,033
Rent	-	-	18,298	4,844	23,142
Employee benefits	-	-	13,894	3,678	17,572
Office	-	-	4,439	9,818	14,257
Insurance	-	-	-	9,099	9,099
Fundraising expenses	-	-	6,759	-	6,759
Telephone	-	-	2,591	686	3,277
Travel	-	-	-	392	392
Investment fees	-	-	-	6,155	6,155
Depreciation	-	-	2,945	779	3,724
Repairs and maintenance	-	-	1,793	475	2,268
Printing and publications	-	-	-	2,417	2,417
Bank charges	-	-	-	2,939	2,939
Interest	-	-	-	292	292
Meetings and conferences	-	-	-	3,169	3,169
Bad debt	-	-	4,354	-	4,354
Annual report	-	-	-	519	519
Amortization, website development costs	-	-	-	800	800
Advertising	-	-	-	376	376
<b>Total Functional Expenses</b>	<b>\$ 394,645</b>	<b>\$ 332,779</b>	<b>\$ 295,604</b>	<b>\$ 138,753</b>	<b>\$ 1,161,781</b>

**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.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Operating Activities:		
Change in net assets	\$ 55,555	\$ 199,731
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation and amortization	4,524	5,981
Bad debt	4,354	-
Net realized and unrealized losses (gains) on investments	7,996	(30,422)
Gain on disposal of equipment	-	(4,000)
Donation of investment securities	(46,954)	(55,498)
Changes in operating assets and liabilities:		
Contribution receivable	38,178	(74,975)
Prepaid expenses and other current assets	7,468	5,586
Accounts payable and accrued expenses	<u>(133,393)</u>	<u>59,050</u>
Net cash provided by (used for) operating activities	<u>(62,272)</u>	<u>105,453</u>
Investing activities:		
Proceeds from sale of investments	317,165	216,417
Proceeds from sale of equipment	-	4,000
Purchases of investments	(171,569)	(175,909)
Acquisition of website development costs	-	(8,000)
Acquisition of property and equipment	<u>-</u>	<u>(2,470)</u>
Net cash provided by investing activities	<u>145,596</u>	<u>34,038</u>
Financing activities:		
Payments on note payable, related party, net	<u>(75,250)</u>	<u>-</u>
Increase in cash and cash equivalents	8,074	139,491
Cash and cash equivalents, beginning of year	<u>234,584</u>	<u>95,093</u>
Cash and Cash Equivalents, End of Year	<u>\$ 242,658</u>	<u>\$ 234,584</u>
<u>Supplemental disclosure of cash flows:</u>		
Cash paid for interest	<u>\$ 292</u>	<u>\$ 500</u>

**The Genesis Foundation for Children, Inc.**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

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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. Unrestricted net assets also include amounts designated by the Board of Directors (the "Board") for future use.

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, 2015 and 2014**

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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, 2015 and 2014, 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	7

**The Genesis Foundation for Children, Inc.**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

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**Note 1 Accounting Policies (continued)**

For the years ended December 31, 2015 and 2014, depreciation expense totaled \$3,724 and \$5,648, 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.

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, 2015 and 2014, the Foundation received contributed materials and services totaling \$68,845 and \$182,358, respectively.

**The Genesis Foundation for Children, Inc.**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

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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, 2015 and 2014, advertising expense totaled \$376 and \$41, 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 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, 2015 and 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>2015</u>	<u>Cost</u>	<u>Fair Value</u>
Stocks	\$ 199,149	\$ 219,951
Mutual funds	79,312	75,251
Fixed income securities	97,950	97,704
Exchange-traded and closed-end funds	<u>33,278</u>	<u>33,860</u>
Total	<u>\$ 409,689</u>	<u>\$ 426,766</u>

**The Genesis Foundation for Children, Inc.**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

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**Note 2 Investments (continued)**

<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>

Realized gains on investments for the years ended December 31, 2015 and 2014 totaled \$25,772 and \$80,305, respectively. Unrealized losses on investments for the years ended December 31, 2015 and 2014 totaled \$33,768 and \$49,883, 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, 2015 and 2014**

**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, 2015 and 2014.

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

2015

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities:				
Large core - domestic	\$ 49,069	\$ -	\$ -	\$ 49,069
Large growth - international	43,956	-	-	43,956
Large blend - international	33,860	-	-	33,860
Large growth - domestic	31,431	-	-	31,431
Large value - domestic	27,462	-	-	27,462
Large value - international	26,652	-	-	26,652
Large core - international	11,956	-	-	11,956
Mid value - domestic	10,983	-	-	10,983
Mid growth - domestic	8,604	-	-	8,604
Mid core - domestic	6,925	-	-	6,925
Other - domestic	1,375	-	-	1,375
Small growth - international	805	-	-	805
Small growth - domestic	<u>733</u>	<u>-</u>	<u>-</u>	<u>733</u>
Total equity securities	253,811	-	-	253,811

**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	\$ 44,740	\$ -	\$ -	\$ 44,740
Treasury securities	38,144	-	-	38,144
Federal agencies	14,819	-	-	14,819
Mutual funds	<u>75,252</u>	<u>-</u>	<u>-</u>	<u>75,252</u>
Total	<u>\$ 426,766</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 426,766</u>

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
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>

**Note 4 Temporarily Restricted Net Assets**

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

	<u>2015</u>	<u>2014</u>
OTIS grant contribution	<u>\$ 81,222</u>	<u>\$ 80,000</u>

As of December 31, 2015 and 2014, grant contributions expected to be received in future periods from the Organization of Teratology Information Specialists (OTIS) totaled \$60,000 and \$80,000, respectively, which are included in temporarily restricted net assets in the accompanying statements of financial position.



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**Note 5 Patient Assistance Fund**

During the year ended December 31, 2014, the Foundation created The Campaign for the Herbert S. Hoffman Patient Assistance Fund. The \$500,000 capital campaign was created to aid in the assistance of covering the difference between health insurance reimbursements and the actual of caring for patients. The Foundation placed an internal restriction on the proceeds raised by the campaign. As of December 31, 2015, these amounts are held in a money market account.

Changes in patient assistance net assets for the year ended December 31, 2015 and 2014, are as follows:

	<u>2015</u>	<u>2014</u>
Unrestricted – designated by the board for patient assistance, beginning of year	\$ 154,628	\$ -
Contributions	<u>13,750</u>	<u>154,628</u>
Unrestricted – designated by the board for patient assistance, end of year	<u>\$ 168,378</u>	<u>\$ 154,628</u>

**Note 6 Related Party Transactions**

During the years ended December 31, 2015 and 2014, the Foundation’s Board of Directors awarded the Center \$79,286 and \$141,056, 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, the outstanding balance on this obligation totaled \$75,250. During the year ended December 31, 2015, the obligation was paid in full. For the years ended December 31, 2015 and 2014, interest charged on this note totaled \$292 and \$500, respectively.

During the years ended December 31, 2015 and 2014, members of the Foundation’s Board of Directors made contributions totaling \$148,681 and \$159,117, respectively.

**Note 7 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, 2015 and 2014 totaled \$26,358 and \$21,936, respectively.

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>	
2016	\$ 14,591
2017	3,216
2018	<u>268</u>
Total Future Minimum Lease Payments	<u>\$ 18,075</u>

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**Note 8 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, 2015 and 2014, the Foundation incurred \$285,065 and \$251,340, respectively, to cover such operating deficit. As of December 31, 2015 and 2014, the amount due to BCH totaled \$56,637 and \$166,339, respectively, which is included in accounts payable and accrued expenses on the accompanying statements of financial position.

**Note 9 Contributions Receivable**

Contributions receivable at December 31, 2015 and 2014 are expected to be realized in the following periods:

	<u>2015</u>	<u>2014</u>
In less than one year	\$ 107,006	\$ 149,538
Between one year and five years	<u>-</u>	<u>-</u>
Total contributions receivable	107,006	149,538
Allowance for uncollectible promises to give	<u>-</u>	<u>-</u>
Net contributions receivable	<u>\$ 107,006</u>	<u>\$ 149,538</u>

**Note 10 Intangible Assets**

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

<u>2015</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>
Website development costs	\$ <u>8,000</u>	\$ <u>1,133</u>
<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 for the years ended December 31, 2015 and 2014 totaled \$800 and \$333, respectively.

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

<u>Year Ending December 31,</u>	<u>Amortization Expense</u>
2016	\$ 800
2017	800
2018	800
2019	800
2020	800

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**Note 11 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 for the year ended December 31, 2014 totaled \$60,000.

**Note 12 Subsequent Events**

The Foundation has evaluated all subsequent events through June 24, 2016, the date the financial statements were available to be issued.