

enCOURAGE KIDS FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017
AND
INDEPENDENT AUDITORS' REPORT

enCOURAGE KIDS FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
enCourage Kids Foundation

We have audited the accompanying financial statements of enCourage Kids Foundation (the "Foundation"), 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.

Auditors' 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 Foundation'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 Foundation'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.

(Continued)

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 enCourage Kids Foundation 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.


July 11, 2019

enCOURAGE KIDS FOUNDATION
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2018	2017
ASSETS		
Cash and cash equivalents	\$ 370,307	\$ 580,896
Investments, at fair value	2,051,503	2,690,600
Contributions and pledges receivable	5,979	5,797
Prepaid expenses and other assets	23,717	40,191
Total assets	\$ 2,451,506	\$ 3,317,484
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 63,606	\$ 143,859
Grants payable	53,368	272,345
Total liabilities	116,974	416,204
Net assets		
Without donor restrictions	2,071,805	2,530,715
With donor restrictions	262,727	370,565
Total net assets	2,334,532	2,901,280
Total liabilities and net assets	\$ 2,451,506	\$ 3,317,484

See notes to financial statements.

enCOURAGE KIDS FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Special events			
Gross receipts	\$ 1,951,671	\$ 39,240	\$ 1,990,911
Less - Direct benefit to donors	(511,050)	-	(511,050)
Net special events revenue	1,440,621	39,240	1,479,861
Contributed goods, services, and use of facilities	1,427,312	-	1,427,312
Contributions	147,681	381,434	529,115
Investment loss, net	(175,782)	-	(175,782)
Miscellaneous	54,499	-	54,499
Net assets released from			
Purpose restrictions	522,715	(522,715)	-
Time restrictions	5,797	(5,797)	-
Total revenue and support	3,422,843	(107,838)	3,315,005
Expenses			
Program services	3,320,549	-	3,320,549
Management and general	206,408	-	206,408
Fundraising	354,796	-	354,796
Total expenses	3,881,753	-	3,881,753
Change in net assets	(458,910)	(107,838)	(566,748)
Net assets, beginning of year	2,530,715	370,565	2,901,280
Net assets, end of year	\$ 2,071,805	\$ 262,727	\$ 2,334,532

See notes to financial statements.

enCOURAGE KIDS FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Special events			
Gross receipts	\$ 2,354,408	\$ 68,125	\$ 2,422,533
Less - Direct benefit to donors	(561,852)	-	(561,852)
Net special events revenue	1,792,556	68,125	1,860,681
Contributed goods, services, and use of facilities	1,344,644	-	1,344,644
Contributions	637,749	176,915	814,664
Investment income, net	261,905	-	261,905
Miscellaneous	69,408	-	69,408
Net assets released from			
Purpose restrictions	430,597	(430,597)	-
Time restrictions	15,750	(15,750)	-
Total revenue and support	4,552,609	(201,307)	4,351,302
Expenses			
Program services	3,325,479	-	3,325,479
Management and general	249,581	-	249,581
Fundraising	409,068	-	409,068
Total expenses	3,984,128	-	3,984,128
Change in net assets	568,481	(201,307)	367,174
Net assets, beginning of year	1,962,234	571,872	2,534,106
Net assets, end of year	\$ 2,530,715	\$ 370,565	\$ 2,901,280

See notes to financial statements.

enCOURAGE KIDS FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services							
	Pediatric Hospital Support Program	Hospital Happenings	Escapes Program	Tablet Program	Total Program Services	Management and General	Fundraising	Total
Advertising (in-kind)	\$ 59,949	\$ 135,215	\$ 97,678	\$ 3,048	\$ 295,890	\$ -	\$ -	\$ 295,890
Advertising and recruitment	663	1,496	1,080	34	3,273	279	785	4,337
Donated goods	102	418,164	423,698	5	841,969	-	-	841,969
Equipment rental and repair	2,018	4,552	3,288	103	9,961	1,741	1,714	13,416
Equipment - programs	-	-	-	18,258	18,258	-	-	18,258
Events (including in-kind)	-	-	-	-	-	-	113,934	113,934
Family outings and activities	-	-	164,625	-	164,625	-	-	164,625
Grants to other organizations	365,520	-	-	-	365,520	-	-	365,520
Insurance	1,147	2,586	1,868	58	5,659	989	974	7,622
Materials and supplies	-	43,041	2,349	-	45,390	-	-	45,390
Meetings and conferences	2,130	5,828	3,471	108	11,537	486	556	12,579
Membership dues and staff development	631	1,424	1,029	32	3,116	467	460	4,043
Occupancy (including in-kind)	33,611	94,062	54,764	1,709	184,146	28,855	28,405	241,406
Office supplies	2,649	6,416	4,535	135	13,735	1,838	1,968	17,541
Outside computer expenses	3,481	7,852	5,672	177	17,182	2,942	3,964	24,088
Postage and delivery	1,892	11,661	5,620	428	19,601	498	1,768	21,867
Printing and publications (including in-kind)	1,340	3,070	2,086	65	6,561	306	30,589	37,456
Processing fees and miscellaneous	7,502	16,920	12,223	382	37,027	6,412	10,211	53,650
Professional services	22,840	51,865	37,213	1,161	113,079	18,021	17,740	148,840
Program entertainers	-	335,027	-	-	335,027	-	-	335,027
Registration dues and fees	1,238	2,792	2,017	63	6,110	1,068	1,051	8,229
Salaries and employee benefits	164,155	370,249	267,464	8,347	810,215	141,636	139,424	1,091,275
Telephone and communications	988	2,235	2,807	51	6,081	848	1,233	8,162
Travel and automobile	909	2,958	2,675	45	6,587	22	20	6,629
Total functional expenses	\$ 672,765	\$ 1,517,413	\$ 1,096,162	\$ 34,209	\$ 3,320,549	\$ 206,408	\$ 354,796	\$ 3,881,753

See notes to financial statements.

enCOURAGE KIDS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Services							
	Pediatric Hospital Support Program	Hospital Happenings	Escapes Program	Tablet Program	Total Program Services	Management and General	Fundraising	Total
Advertising (in-kind)	\$ 54,282	\$ 66,221	\$ 104,425	\$ 16,168	\$ 241,096	\$ -	\$ -	\$ 241,096
Advertising and recruitment	4,831	5,894	9,294	1,440	21,459	86	155	21,700
Donated goods	-	25,989	434,866	-	460,855	-	-	460,855
Equipment rental and repair	1,571	1,916	3,022	468	6,977	1,651	1,208	9,836
Equipment - programs	-	-	-	105,662	105,662	-	-	105,662
Events (including in-kind)	-	-	-	-	-	-	112,429	112,429
Family outings and activities	-	-	222,914	-	222,914	-	-	222,914
Grants to other organizations	358,686	5,000	-	-	363,686	-	-	363,686
Insurance	1,189	1,450	2,287	354	5,280	1,250	913	7,443
Materials and supplies	160	50,297	10,125	47	60,629	-	-	60,629
Meetings and conferences	7,420	13,356	14,246	2,165	37,187	931	4,090	42,208
Membership dues and staff development	619	755	1,190	184	2,748	599	1,937	5,284
Occupancy (including in-kind)	35,912	67,355	70,190	10,697	184,154	37,755	27,608	249,517
Office supplies	7,547	9,243	17,676	2,249	36,715	2,918	2,773	42,406
Outside computer expenses	3,127	3,815	6,016	932	13,890	3,236	3,263	20,389
Postage and delivery	2,512	7,546	7,564	2,089	19,711	564	4,730	25,005
Printing and publications (including in-kind)	30,862	37,641	59,268	9,106	136,877	144	94,271	231,292
Processing fees and miscellaneous	4,877	5,950	6,383	1,453	18,663	9,082	14,068	41,813
Professional services	61,669	75,234	118,840	18,369	274,112	9,132	6,677	289,921
Program entertainers	-	322,578	8,254	-	330,832	-	-	330,832
Registration dues and fees	992	1,210	1,909	296	4,407	1,043	763	6,213
Salaries and employee benefits	171,413	209,116	329,757	51,059	761,345	180,212	131,777	1,073,334
Telephone and communications	966	1,185	3,158	287	5,596	899	2,286	8,781
Travel and automobile	681	2,110	7,719	174	10,684	79	120	10,883
Total functional expenses	\$ 749,316	\$ 913,861	\$ 1,439,103	\$ 223,199	\$ 3,325,479	\$ 249,581	\$ 409,068	\$ 3,984,128

See notes to financial statements.

enCOURAGE KIDS FOUNDATION

STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (566,748)	\$ 367,174
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Realized and unrealized loss (gain) on investments	204,737	(184,843)
Changes in assets and liabilities		
Contributions and pledges receivable	(182)	(57)
Prepaid expenses and other assets	16,474	(11,195)
Accounts payable and accrued liabilities	(80,253)	4,096
Grants payable	(218,977)	(94,838)
Net cash provided by (used in) operating activities	(644,949)	80,337
Cash flows from investing activities		
Proceeds from sale of investment	462,312	-
Purchases of investments	(27,952)	(75,898)
Net cash provided by (used in) investing activities	434,360	(75,898)
Net increase (decrease) in cash and cash equivalents	(210,589)	4,439
Cash and cash equivalents, beginning of year	580,896	576,457
Cash and cash equivalents, end of year	\$ 370,307	\$ 580,896

See notes to financial statements.

enCOURAGE KIDS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1 - ORGANIZATION

Since 1985, enCourage Kids Foundation (the “Foundation”) has helped humanize healthcare for children and their families by resourcing impact-driven pediatric programs and supporting the child life community. Serving more than one million children annually, the Foundation’s programs offer relief from the constant burden of treatment, hospital stays, and doctor appointments, while also helping pediatric facilities to meet the unique needs of their patients. The Foundation envisions a world where every child, regardless of the difficulty of his or her medical journey, experiences joy, hope, resilience, and healing.

The Foundation serves children and families facing a variety of health issues - from those receiving chemo treatments in a clinic, to those who live with a chronic illness that may not be visible. While other children’s organizations focus on finding cures, there are few organizations that provide children with programs and services that enable them to cope with the challenging daily demands of illness, injury, or disability. While others treat the illness, the Foundation treats the child.

A vast amount of research has been conducted that documents the significant and positive role that distractions can have on children, by helping to relieve their pain, discomfort and distress. The Foundation understands that when a child’s discomfort is not well treated, he or she can develop feelings of helplessness, frustration, physical and emotional stress, fear, anxiety, depression and low self-esteem.

The Foundation’s uplifting and impactful programs have been shown to have significant psychological benefits. These include:

- Reduced anxiety and depression
- Decreased need for pain medication
- Increased knowledge about their disease
- Greater willingness to return for treatment
- Improved sense of peer support
- Alleviation of stress, loneliness and isolation

The focus of the Foundation is to ensure that kids can still be kids while dealing with chronic illnesses. The Foundation’s programs are designed with the child in mind but are sanctioned and approved by Child Life Specialists and the medical community. As a result of these relationships, the Foundation is better able to assess the needs that sick children have, hence they can support projects and programs that alleviate anxiety and fear and promote a sense of hope and well-being.

The Foundation derives the majority of its revenues from contributions from the general public.

enCOURAGE KIDS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1 - ORGANIZATION (Continued)

The Foundation's programs serve hospitalized kids and families. Programs include:

- **Pediatric Hospital Support Program:** This unique hospital program, now in its 21st year, supports music and dance therapy, karate classes for kids fighting cancer, adapted yoga sessions for profoundly disabled children, sensory therapy, a wheelchair accessible van, recreational rooms, horticulture therapy, a video artist-in-residence project, and many other creative projects that enhance the lives of hospitalized children, which includes:
 - **Hospital Room Renovations** - A Hospital Room Renovation is a beautifully designed, inviting hospital environment created to support the healing of pediatric patients during their hospital stay. The Foundation transforms designated areas of sterile hospital environments into colorful, entertaining oases that can be enjoyed by young patients and their families. These playrooms, teen lounges and playgrounds offer a variety of diversions, including video games, computers, toys, crafts, music, and best of all, the company of other children. These renovations help ease young patients' stress by stimulating the senses, providing an antidote to loneliness and an escape from the isolation of a hospital room. Every unique room offers respite from the tedious routine most pediatric patients face. For young patients confined to a hospital, the opportunity to have fun in a well-equipped, welcoming atmosphere assists in the healing process.
- **Hospital Happenings:** Working in concert with hospital staff, the Foundation offers a unique hospital program that provides psychosocial support for patients in area hospitals. Hospital Happenings help ease the loneliness, fear, and boredom that accompany hospital stays. Specialized Hospital Happenings include:
 - **Clown Program** - Children suffering from a wide range of illnesses have come to rely on weekly visits from clowns for large doses of happiness. For many years, medical professionals have recognized that those patients who maintained a positive mental attitude and shared laughter responded better to treatment.
 - **Music Program** - Children benefit from the power of music as a result of sessions with music therapists who not only encourage their creativity and personal expression but also help them develop coping skills and techniques for pain management.
 - **Starworks** - Graduate writing students teach creative expression to pediatric patients in several area hospitals. As a result, these children have composed pictures of their hopes, dreams, and lives in poems, stories, and essays. Creativity has a powerful impact - it heightens spirits, generates pride, and builds self-esteem.

enCOURAGE KIDS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1 - ORGANIZATION (Continued)

- **Send A Smile, Send A Bear** - Teddy bears are given to hospitalized children throughout the year. A teddy bear can provide the support and comfort a child needs during a scary medical procedure, and ease his or her nervousness before a surgery.
- **Escapes Program:** Escapes are family activities and outings that are offered regularly to give children and their families a chance to have fun together away from the hospital so they can relax, regroup, and return home with a renewed sense of strength and hope. These events also forge important connections between families struggling with similar issues, helping them combat feelings of isolation and build a community of support.
- **Tablet Program:** Tablets are a critical resource for healthcare professionals to support the ongoing needs of kids while in the hospital. Tablets are iPads with six award-winning online educational programs preloaded on the devices. Feedback from Child Life specialists and other healthcare experts indicates that having a tablet allows them to deliver superior patient care.
- **Fun Centers:** Mobile entertainment units equipped with the latest gaming system that provides bedside entertainment and brings the healing power of play to pediatric patients. For children facing surgery, enduring long outpatient treatments, or fighting loneliness after hospital visiting hours have ended, Fun Center units provide a comforting break and fun distraction. At December 31, 2017, all funds previously donated have been utilized and the program is no longer being offered.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

The financial statement presentation is in accordance with Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) 958, Not-for-Profit Entities, as amended by Accounting Standards Update (“ASU”) No. 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. The Foundation adopted ASU 2016-14 for the year ended December 31, 2018 and has applied the amendments retrospectively to the 2017 financial statements and related footnotes. There have been no reclassifications in the accompanying financial statements as a result of this adoption.

enCOURAGE KIDS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting and Presentation (Continued)

Under ASC 958, as amended, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: those without donor restrictions and those with donor restrictions. Net assets without donor restrictions are those net assets that are not subject to donor-imposed restrictions. Net assets with donor restrictions are subject to donor stipulations that limit the use of their contributions which either expire by the passage of time or when used for specified purposes.

Other major changes to these financial statements resulting from ASU 2016-14 include (a) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources and (b) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Accordingly, actual results could differ from those estimates.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding state provisions.

Cash and Cash Equivalents

Cash balances in banks are insured by the Federal Deposit Insurance Corporation (“FDIC”) subject to certain limitations. For purposes of the statements of cash flows, the Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Contributions and Pledges Receivable

Contributions and pledges receivable are recorded at net realizable value if expected to be collected in one year and, if material, multiyear receivables are recorded at the present value of their estimated future cash flow. Amortization of the discount is included in contribution revenue. The Foundation’s allowance for uncollectible pledges is based on management’s estimates of the creditworthiness of its contributors, current economic conditions and historical information. At December 31, 2018 and 2017, an allowance was not warranted. All contributions and pledges receivable are expected to be collected within one year.

enCOURAGE KIDS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Goods, Services, and Use of Facilities

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. Contributed goods generally consist of toys, videos, DVDs, airline tickets, hotel accommodations, theme park admissions, and other tangible goods. For the years ended December 31, 2018 and 2017, the Foundation received \$1,427,312 and \$1,344,644, respectively, of contributed goods, services, and use of facilities (see Note 5).

Grant Expenditures

Grant expenditures are incurred in the period the grant is approved, provided the grant is not subject to significant future conditions. At December 31, 2018 and 2017, there were no conditional grants.

Concentration of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of cash and investments.

Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position. The Foundation's investments are maintained primarily with a high-quality institution, traded in highly liquid markets and are regularly monitored by the Board.

Advertising

The Foundation receives in-kind contributions of advertising, which are included as revenue and expenses. These contributions help the Foundation to continue to receive invaluable exposure through the donated advertising space. The campaign reached millions of people in the tri-state area through outdoor coverage on billboards in NYC, buses, subways, transit shelters, phone kiosks, mall kiosks, and billboards along the interstate in New Jersey. Because of this exposure, the Foundation has been able to generate substantial brand awareness both with the general public and with seriously ill children and their families in need of the Foundation's programs and services. Total advertising (in-kind) expense was \$295,890 and \$241,096 for the years ended December 31, 2018 and 2017, respectively.

enCOURAGE KIDS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the Foundation's programs and other activities have been presented in the statements of functional expenses. Such costs are segregated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by full-time equivalents under each activity. Allocations are based on salary and related costs, which are determined by management on the basis of estimates of time and effort.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. These reclassifications have no effect on total assets or net assets.

Recently Issued Accounting Pronouncements

In May 2015, the FASB issued ASU No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value Per Share (or Its Equivalent)*. The pronouncement removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. This ASU also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The Foundation adopted ASU 2015-07 for the year ended December 31, 2018 and has applied the provisions retrospectively for the year ended December 31, 2017.

Subsequent Events

These financial statements were approved by management and available for issuance on July 11, 2019. Management has evaluated subsequent events through this date.

enCOURAGE KIDS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation’s financial assets available within one year of the statements of financial position date for general expenditures consist of the following components:

	Year Ended December 31,	
	2018	2017
Cash and cash equivalents	\$ 370,307	\$ 580,896
Investment in multi-asset fund	1,076,503	1,690,600
Contributions and pledges receivable	5,979	5,797
Total financial assets available within one year	\$ 1,452,789	\$ 2,277,293

The Foundation has a goal to maintain financial assets, which consist of those disclosed above, on hand to meet six months of normal operating expenses, based on the annual approved budget. Excess funds will be primarily invested in an interest-bearing money market account. Additional funds may be added to the multi-asset fund (specifically, the Investment Fund for the Foundation (“TIFF”) Multi-Asset Fund) at the discretion of the Executive Committee and/or the Board.

To achieve the aforementioned goals, the Foundation utilizes cash forecasting for its future cash flows and monitors its levels of liquidity on a quarterly basis, while performing a reserve analysis annually. During the years ended December 31, 2018 and 2017, the levels of liquidity and reserves have satisfied the aforementioned policy requirements.

4 - FAIR VALUE MEASUREMENTS

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Under GAAP, the three levels of the fair value hierarchy are described as follows:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs that reflect management’s own assumptions.

enCOURAGE KIDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

4 - FAIR VALUE MEASUREMENTS (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value.

The fair value of the holdings in the TIFF Multi-Asset Fund is determined based upon the net asset value (“NAV”) of the fund as determined by TIFF Advisory Services, Inc. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV. A redemption notice must be received by the close of business on any business day. Payment, less any applicable exit fee, generally will be made on the business day following receipt of the notice, up to seven days. The open-ended balanced mutual fund invests, either directly or indirectly through its investments in acquired funds, in common and preferred stocks, real estate investment trusts, high-yield bonds, securities issued or guaranteed by the U.S. government, corporate bonds, and short-term investments, such as high-quality, short-term money market instruments.

The fair value of a minority interest in a closely-held limited liability company (“LLC”) within Level 3 was estimated by determining the market value, then applying valuation adjustments. The LLC owns and operates 40 residential apartments and 5 commercial units in New York, the LLC’s principal income-producing asset. The market value of the real property was based on an appraisal prepared by a certified General Real Estate Appraiser using the income and market approaches. Inputs used for the income and market approaches included the evaluation of certain observable market data such as capitalization rates on similar property types and sales of comparable properties. Valuation adjustments of 40% to 47% were applied by management to the market value in the appraisal report to account for discounts for lack of marketability and minority interest.

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NOTES TO FINANCIAL STATEMENTS

4 - FAIR VALUE MEASUREMENTS (Continued)

The following tables present information about the Foundation’s assets that are measured at fair value on a recurring basis at December 31, 2018 and 2017, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	December 31, 2018	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
Interest in a limited liability company	\$ 975,000	\$ -	\$ -	\$ 975,000
TIFF Multi-Asset Fund (a)	1,076,503			
Total assets at fair value	\$ 2,051,503	\$ -0-	\$ -0-	\$ 975,000

	December 31, 2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
Interest in a limited liability company	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
TIFF Multi-Asset Fund (a)	1,690,600			
Total assets at fair value	\$ 2,690,600	\$ -0-	\$ -0-	\$ 1,000,000

(a) Certain investments that are measured at fair value using the NAV per share practical expedient have not been classified in the fair value hierarchy. The NAV amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

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NOTES TO FINANCIAL STATEMENTS

4 - FAIR VALUE MEASUREMENTS (Continued)

Investments Measured using the NAV per Share Practical Expedient

The following table summarizes investments for which fair value is measured using the NAV per share practical expedient as of December 31, 2018 and 2017.

TIFF Multi-Asset Fund	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
December 31, 2018	\$ 1,076,503	\$ -	Daily	None
December 31, 2017	1,690,600	-	Daily	None

During the years ended December 31, 2018 and 2017, the Foundation did not have any transfers between any of the levels of the fair value hierarchy.

The fair value measurements using significant unobservable inputs (Level III) are as follows:

	Interest in a Limited Liability Company	
	2018	2017
Beginning balance	\$ 1,000,000	\$ 1,000,000
Unrealized loss	(25,000)	-
Ending balance	\$ 975,000	\$ 1,000,000

Total investment income, gains and losses consist of the following:

	Year Ended December 31,	
	2018	2017
Interest and dividend income	\$ 28,955	\$ 77,062
Realized and unrealized gains (losses), net	(204,737)	184,843
Investment income (loss), net	\$ (175,782)	\$ 261,905

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NOTES TO FINANCIAL STATEMENTS

5 - CONTRIBUTED GOODS, SERVICES AND USE OF FACILITIES

Contributed goods, services and use of facilities during the years ended December 31, 2018 and 2017 were reported as follows:

	Year Ended December 31,	
	2018	2017
Advertising (in-kind)	\$ 295,890	\$ 241,096
Donated goods	841,969	460,855
Office and storage spaces	135,832	151,044
Printing and publication	25,850	217,679
Professional services	-	151,200
Events	127,771	122,770
Total	\$ 1,427,312	\$ 1,344,644

6 - NET ASSETS WITH DONOR RESTRICTIONS

The following summarizes the changes in net assets with donor restrictions:

Program	2018			
	Balance, January 1, 2018	Contributions	Released from Restrictions	Balance, December 31, 2018
Tablet Program	\$ 202,976	\$ 26,500	\$ (18,505)	\$ 210,971
Hospital Happenings	-	83,740	(83,740)	-
Escapes Program	-	54,455	(54,455)	-
Pediatric Hospital Support	161,792	250,000	(366,015)	45,777
Time Restrictions	5,797	5,979	(5,797)	5,979
	\$ 370,565	\$ 420,674	\$ (528,512)	\$ 262,727

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NOTES TO FINANCIAL STATEMENTS

6 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Program	2017			Balance, December 31, 2017
	Balance, January 1, 2017	Contributions	Released from Restrictions	
Tablet Program	\$ 268,308	\$ 41,793	\$ (107,125)	\$ 202,976
Hospital Happenings	69,382	105,100	(174,482)	-
Escapes Program	-	92,350	(92,350)	-
Pediatric Hospital Support	161,858	-	(66)	161,792
Fun Centers	56,574	-	(56,574)	-
Time Restrictions	15,750	5,797	(15,750)	5,797
	<u>\$ 571,872</u>	<u>\$ 245,040</u>	<u>\$ (446,347)</u>	<u>\$ 370,565</u>

7 - DEFINED CONTRIBUTION PENSION PLAN

The Foundation maintains a 401(k) defined-contribution pension plan with matching contributions of 3% of participant salaries. Matching contributions totaled \$24,077 and \$26,373, respectively, for the years ended December 31, 2018 and 2017.

8 - RELATED PARTY TRANSACTIONS

The Foundation receives donated use of facilities and storage space from a company whose chairman is a board member of the Foundation. The portion of the facilities and storage space donated by the company amounted to \$135,832 and \$151,044 for the years ended December 31, 2018 and 2017, respectively. The Foundation paid the company \$102,668 and \$96,291 for rent and related expenses on a month-to-month arrangement during the years ended December 31, 2018 and 2017, respectively. The Foundation received contributions from its board of directors of \$137,436 and \$135,901, respectively, for the years ended December 31, 2018 and 2017.

9 - CONCENTRATIONS OF RISK

During each of the years ended December 31, 2018 and 2017, the annual Gala event accounted for 31%, of the Foundation's revenue and support without donor restrictions.