

enCOURAGE KIDS FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
AND
INDEPENDENT AUDITORS' REPORT

enCOURAGE KIDS FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
enCourage Kids Foundation

Opinion

We have audited the accompanying financial statements of enCourage Kids Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of enCourage Kids Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about enCourage Kids Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(Continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 enCourage Kids Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about enCourage Kids Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



November 9, 2022

enCOURAGE KIDS FOUNDATION

STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2021	2020
ASSETS		
Cash and cash equivalents	\$ 553,926	\$ 289,683
Investments, at fair value	1,764,954	1,625,907
Contributions and pledges receivable	11,373	6,800
Prepaid expenses and other assets	34,112	47,132
Property and equipment, net of accumulated depreciation	49,211	58,159
Total assets	\$ 2,413,576	\$ 2,027,681
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 82,315	\$ 94,193
Paycheck Protection Program loan payable	158,556	312,000
Total liabilities	240,871	406,193
Net assets		
Without donor restrictions	1,551,220	1,074,953
With donor restrictions	621,485	546,535
Total net assets	2,172,705	1,621,488
Total liabilities and net assets	\$ 2,413,576	\$ 2,027,681

See notes to financial statements.

enCOURAGE KIDS FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Special events			
Gross receipts	\$ 412,401	\$ -	\$ 412,401
Less - Direct benefit to donors	(140,905)	-	(140,905)
Net special events revenue	271,496	-	271,496
Contributed goods, services, and use of facilities	540,761	-	540,761
Contributions	849,563	378,637	1,228,200
Realized and unrealized gain on investments	139,047	-	139,047
Forgiveness of Paycheck Protection Program loan	312,000	-	312,000
Other income	4,430	-	4,430
Net assets released from Purpose restrictions	303,687	(303,687)	-
Total revenue and support	2,420,984	74,950	2,495,934
Expenses			
Program services	1,320,365	-	1,320,365
Management and general	160,762	-	160,762
Fundraising	463,590	-	463,590
Total expenses	1,944,717	-	1,944,717
Change in net assets	476,267	74,950	551,217
Net assets, beginning of year	1,074,953	546,535	1,621,488
Net assets, end of year	\$ 1,551,220	\$ 621,485	\$ 2,172,705

See notes to financial statements.

enCOURAGE KIDS FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Special events			
Gross receipts	\$ 1,103,833	\$ -	\$ 1,103,833
Less - Direct benefit to donors	(295,783)	-	(295,783)
Net special events revenue	808,050	-	808,050
Contributed goods, services, and use of facilities	211,857	3,182,802	3,394,659
Contributions	284,534	250,000	534,534
Realized and unrealized loss on investments	(16,764)	-	(16,764)
Dividend and interest income	203	-	203
Other income	11,193	-	11,193
Net assets released from			
Purpose restrictions	3,401,967	(3,401,967)	-
Time restrictions	21,493	(21,493)	-
Total revenue and support	4,722,533	9,342	4,731,875
Expenses			
Program services	4,481,443	-	4,481,443
Management and general	181,632	-	181,632
Fundraising	521,716	-	521,716
Total expenses	5,184,791	-	5,184,791
Change in net assets	(462,258)	9,342	(452,916)
Net assets, beginning of year	1,537,211	537,193	2,074,404
Net assets, end of year	\$ 1,074,953	\$ 546,535	\$ 1,621,488

See notes to financial statements.

enCOURAGE KIDS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Services						
	Pediatric Hospital Support Program	Hospital Happenings	Escapes Program	Total Program Services	Management and General	Fundraising	Total
Advertising and recruitment	\$ 2	\$ 200	\$ 3	\$ 205	\$ 31	\$ 79	\$ 315
Depreciation	67	5,677	72	5,816	895	2,237	8,948
Donated goods	-	164,934	-	164,934	-	-	164,934
Equipment rental and repair	75	6,286	80	6,441	991	2,477	9,909
Events (including in-kind)	-	-	-	-	-	47,871	47,871
Family outings and activities	173	14,522	185	14,880	-	-	14,880
Grants to other organizations	25,000	-	-	25,000	-	-	25,000
Insurance	70	5,908	75	6,053	931	2,328	9,312
Materials and supplies	214	18,009	229	18,452	-	-	18,452
Meetings and conferences	63	5,333	68	5,464	-	-	5,464
Membership dues and staff development	32	2,661	34	2,727	425	1,065	4,217
Occupancy (including in-kind)	2,974	250,203	3,179	256,356	39,439	98,598	394,393
Office supplies	285	23,956	304	24,545	3,777	9,441	37,763
Outside computer expenses	148	12,437	158	12,743	1,959	4,901	19,603
Postage and delivery	125	10,541	134	10,800	1,662	4,154	16,616
Printing and publications (including in-kind)	1	125	2	128	20	49	197
Processing fees and miscellaneous	169	14,199	180	14,548	2,238	19,402	36,188
Professional services	2,657	223,545	2,840	229,042	35,237	88,093	352,372
Program entertainers	-	44,430	-	43,430	-	-	43,430
Registration dues and fees	15	1,254	16	1,285	198	494	1,977
Salaries and employee benefits	5,372	451,933	5,742	463,047	71,237	178,095	712,379
Telephone and communications	26	2,202	28	2,256	347	868	3,471
Travel and automobile	38	3,197	41	3,276	-	-	3,276
Bad debt expense	104	8,723	110	8,937	1,375	3,438	13,750
Total functional expenses	\$ 37,610	\$ 1,270,275	\$ 13,480	\$ 1,320,365	\$ 160,762	\$ 463,590	\$ 1,944,717

See notes to financial statements.

enCOURAGE KIDS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Services						
	Pediatric Hospital Support Program	Hospital Happenings	Escapes Program	Total Program Services	Management and General	Fundraising	Total
Advertising and recruitment	\$ 5	\$ 442	\$ 6	\$ 453	\$ 69	\$ 174	\$ 696
Depreciation	34	2,838	36	2,908	447	1,119	4,474
Donated goods	-	3,144,312	-	3,144,312	-	-	3,144,312
Equipment rental and repair	85	7,156	91	7,332	1,128	2,820	11,280
Equipment - programs	29	2,440	31	2,500	-	-	2,500
Events (including in-kind)	-	-	-	-	-	53,127	53,127
Family outings and activities	187	15,753	(4,630)	11,310	-	-	11,310
Grants to other organizations	37,135	-	-	37,135	-	-	37,135
Insurance	67	5,630	72	5,769	887	2,219	8,875
Materials and supplies	218	30,465	4,654	35,337	-	-	35,337
Meetings and conferences	98	8,216	104	8,418	-	-	8,418
Membership dues and staff development	52	4,375	56	4,483	346	866	5,695
Occupancy (including in-kind)	2,452	206,299	2,621	211,372	32,518	81,297	325,187
Office supplies	245	20,582	261	21,088	3,245	8,111	32,444
Outside computer expenses	167	14,081	179	14,427	2,219	5,549	22,195
Postage and delivery	217	18,235	232	18,684	2,874	7,186	28,744
Printing and publications (including in-kind)	67	5,618	71	5,756	886	2,214	8,856
Processing fees and miscellaneous	266	22,417	285	22,968	3,533	23,337	49,838
Professional services	1,197	100,710	1,280	103,187	15,875	39,687	158,749
Program entertainers	-	56,959	-	56,959	-	-	56,959
Registration dues and fees	57	4,830	61	4,948	762	1,904	7,614
Salaries and employee benefits	8,741	735,416	9,343	753,500	115,923	289,808	1,159,231
Telephone and communications	69	5,832	74	5,975	920	2,298	9,193
Travel and automobile	30	2,559	33	2,622	-	-	2,622
Total functional expenses	\$ 51,418	\$ 4,415,165	\$ 14,860	\$ 4,481,443	\$ 181,632	\$ 521,716	\$ 5,184,791

See notes to financial statements.

enCOURAGE KIDS FOUNDATION

STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 551,217	\$ (452,916)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities		
Depreciation	8,948	4,474
Realized and unrealized gain (loss) on investments	(139,047)	16,764
Forgiveness of Paycheck Protection Program loan	(312,000)	-
Changes in assets and liabilities		
Contributions and pledges receivable	(4,573)	14,693
Prepaid expenses and other assets	13,020	(6,685)
Accounts payable and accrued liabilities	(11,878)	(98,665)
Net cash and cash equivalents provided by (used in) operating activities	105,687	(522,335)
Cash flows from investing activities		
Acquisition of property and equipment	-	(62,633)
Proceeds from sale of investment	-	351,759
Net cash and cash equivalents provided by investing activities	-	289,126
Cash flows from financing activities		
Proceeds from Paycheck Protection Program loan payable	158,556	312,000
Net increase in cash and cash equivalents	264,243	78,791
Cash and cash equivalents, beginning of year	289,683	210,892
Cash and cash equivalents, end of year	\$ 553,926	\$ 289,683

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 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 23rd 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 include:
 - **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)

- **Hospital Happenings:** (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.

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”. Under FASB ASC 958, 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.

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.

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.

enCOURAGE KIDS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2021 and 2020, an allowance was not warranted. All contributions and pledges receivable are expected to be collected within one year.

Property and Equipment

Property and equipment include assets held for supporting administrative use. All such assets are stated at their costs at the date of acquisition, less accumulated. Depreciation is provided over the estimated useful life of the respective assets, using the straight-line method. Software and the related implementation costs are depreciated over 7 years.

Paycheck Protection Program ("PPP") Loan

The Foundation's policy is to account for the PPP loan (see Note 11) as debt under FASB ASC 470. The Foundation will continue to record the PPP loan as debt until either (1) the PPP loan is partially or entirely forgiven and the Foundation has been legally released, at which point the amount forgiven will be recorded as income or (2) the Foundation pays off the loan.

Contributed Goods, Services, and Use of Facilities

Contributions of donated noncash assets are recorded at fair value as revenue in the period received or when an unconditional promise to give has been made. 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 as revenue in the period received or when an unconditional promise to give has been made. 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, 2021 and 2020, the Foundation received \$540,761 and \$3,394,659, respectively, of contributed goods, services, and use of facilities (see Note 6).

Contributions

Contributions are recognized at fair value as revenue when received or when an unconditional promise to give has been made. Contributions of cash or non-cash assets are considered conditional when the underlying agreement includes a performance barrier and a right of return or a right to release promised assets exists. Conditional promises to give are not recognized until the performance barrier and the right of return or release have been overcome.

enCOURAGE KIDS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Events

Revenue from special events is recognized at the point in time when the related services have been rendered.

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, 2021 and 2020, 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.

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.

Income Taxes

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

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, total liabilities, or net assets.

Subsequent Events

These financial statements were approved by management for issuance on November 9, 2022. Management has evaluated subsequent events through this date and has no events to disclose except as disclosed herein.

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,	
	2021	2020
Cash and cash equivalents	\$ 553,926	\$ 289,683
Investment in multi-asset fund	1,254,954	1,115,907
Contributions and pledges receivable	11,373	6,800
Total financial assets available within one year	\$ 1,820,253	\$ 1,412,390

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, 2021 and 2020, the levels of liquidity and reserves have satisfied the aforementioned policy requirements.

enCOURAGE KIDS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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.

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.

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NOTES TO FINANCIAL STATEMENTS

4 - FAIR VALUE MEASUREMENTS (Continued)

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. The following tables present information about the Foundation’s assets that are measured at fair value on a recurring basis at December 31, 2021 and 2020, and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	December 31, 2021	Investments, at Fair Value		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest in a limited liability company	\$ 510,000	\$ -	\$ -	\$ 510,000
TIFF Multi-Asset Fund (a)	1,254,954	-	-	-
Total Investments, at fair value	\$ 1,764,954	\$ -0-	\$ -0-	\$ 510,000

	December 31, 2020	Investments, at Fair Value		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest in a limited liability company	\$ 510,000	\$ -	\$ -	\$ 510,000
TIFF Multi-Asset Fund (a)	1,115,907	-	-	-
Total Investments, at fair value	\$ 1,625,907	\$ -0-	\$ -0-	\$ 510,000

(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.

enCOURAGE KIDS FOUNDATION
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, 2021 and 2020.

TIFF Multi-Asset Fund	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
December 31, 2021	\$ 1,254,954	\$ -	Daily	None
December 31, 2020	1,115,907	-	Daily	None

During the years ended December 31, 2021 and 2020, 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 3) are as follows:

	Interest in a Limited Liability Company	
	2021	2020
Beginning balance	\$ 510,000	\$ 720,000
Unrealized loss	-	(210,000)
Ending balance	\$ 510,000	\$ 510,000

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

	Year Ended December 31,	
	2021	2020
Interest and dividend income (loss)	\$ (570)	\$ 203
Realized and unrealized gain (loss), net	139,047	(16,764)
Investment income (loss), net	\$ 138,477	\$ (16,561)

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NOTES TO FINANCIAL STATEMENTS

5 - PROPERTY AND EQUIPMENT, NET

Property and equipment consist of software and implementation costs in the amount of \$62,633, less accumulated depreciation of \$13,422 and \$4,474 as of December 31, 2021 and 2020, respectively.

Depreciation expense was \$8,948 and \$4,474 for the years ended December 31, 2021 and 2020, respectively.

6 - CONTRIBUTED GOODS, SERVICES, AND USE OF FACILITIES

Contributed goods, services, and use of facilities during the years ended December 31, 2021 and 2020, were reported as follows:

	Year Ended December 31,	
	2021	2020
Donated goods	\$ 164,934	\$ 3,144,312
Donated use of facilities	375,827	250,347
Total	\$ 540,761	\$ 3,394,659

7 - NET ASSETS WITH DONOR RESTRICTIONS

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

Program	Balance, January 1, 2021	Contributions	Released from Restrictions	Balance, December 31, 2021
Hospital Happenings	\$ 25,961	\$ 327,927	\$ (237,685)	\$ 116,203
Escapes Program	2,980	25,710	(13,851)	14,839
Pediatric Hospital Support	517,594	25,000	(52,151)	490,443
	\$ 546,535	\$ 378,637	\$ (303,687)	\$ 621,485

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NOTES TO FINANCIAL STATEMENTS

7 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Program	Balance, January 1, 2020	Contributions	Released from Restrictions	Balance, December 31, 2020
Hospital Happenings	\$ 210,971	\$ 3,165,995	\$ (3,351,005)	\$ 25,961
Escapes Program	-	16,807	(13,827)	2,980
Pediatric Hospital Support	304,729	250,000	(37,135)	517,594
Time Restrictions	21,493	-	(21,493)	-
	<u>\$ 537,193</u>	<u>\$ 3,432,802</u>	<u>\$ (3,423,460)</u>	<u>\$ 546,535</u>

8 - 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 \$15,747 and \$18,771, respectively, for the years ended December 31, 2021 and 2020.

9 - 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, storage space and rent and related expenses donated by the company amounted to \$375,827 and \$250,347 for the years ended December 31, 2021 and 2020, respectively. The Foundation paid the company \$12,104 and \$66,862 for rent and related expenses on a month-to-month arrangement during the years ended December 31, 2021 and 2020, respectively.

The Foundation received contributions from its board of directors of \$686,861 and \$116,400, respectively, for the years ended December 31, 2021 and 2020.

10 - CONCENTRATIONS OF RISK

During the year ended December 31, 2020, the one event accounted for 45% of the Foundation's revenue and support without donor restrictions.

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NOTES TO FINANCIAL STATEMENTS

11 - PAYCHECK PROTECTION PROGRAM LOAN

In May 2020, the Foundation applied for and received funding for a loan totaling \$312,000 under the U.S. Small Business Administration ("SBA") Paycheck Protection Program ("PPP"), which is part of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), enacted on March 27, 2020. Under the terms of the SBA PPP loan, up to 100% of the principal and accrued interest may be forgiven if certain criteria are met and the PPP loan proceeds are used for qualifying expenses such as payroll costs, benefits, rent, and utilities as described in the CARES Act. The PPP loan accrues interest at a rate of 1% and any portion of the principal and interest that is not forgiven is required to be repaid. In October 2021, the Foundation received approval of forgiveness of its PPP loan.

In March 2021, the Foundation applied for and received funding for a second PPP loan for \$158,556. The PPP loan matures after five years but is otherwise subject to the same terms as the first PPP loan outlined above. Interest expense for the year ended December 31, 2021, was not considered significant to the Foundation's financial statements. In October 2022, the Foundation received approval of forgiveness of its second PPP loan.

12 - RISKS AND UNCERTAINTIES

The spread of a novel strain of coronavirus ("COVID-19") around the world has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Foundation is unable to determine if it will materially impact its future operations.