



***FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2018 AND 2017***

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Balance Sheets	2
Statements of Activities	3
Statements of Cash Flows	4
Statements of Functional Expenses	5 - 6
Notes to Financial Statements	7 - 20

INDEPENDENT AUDITORS' REPORT

To The Trustees
The Valerie Fund
Maplewood, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of The Valerie Fund, which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of activities, cash flows, and functional expenses 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 audits 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 auditors' 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 Valerie Fund 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.

Emphasis of a Matter

As discussed in Note 2 to the financial statements, in 2018 the Organization adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Dorfman Abrams Music, LLC

Saddle Brook, New Jersey

October 9, 2019

THE VALERIE FUND

BALANCE SHEETS

ASSETS

	December 31,	
	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,943,663	\$ 1,402,318
Investments	6,279,580	6,588,154
Accounts receivable	116,476	67,653
Pledges and grants receivable, net	2,822,327	2,476,366
Prepaid expenses and other current assets	107,592	109,137
Property and equipment, net	<u>245,930</u>	<u>276,138</u>
Total assets	<u>\$ 11,515,568</u>	<u>\$ 10,919,766</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 57,949	\$ 167,705
Deferred income	150,644	64,244
Accrued expenses	<u>69,043</u>	<u>215,063</u>
Total liabilities	<u>277,636</u>	<u>447,012</u>
Net assets:		
Without donor restrictions	5,314,296	5,873,103
With donor restrictions	<u>5,923,636</u>	<u>4,599,651</u>
Total net assets	<u>11,237,932</u>	<u>10,472,754</u>
Total liabilities and net assets	<u>\$ 11,515,568</u>	<u>\$ 10,919,766</u>

The accompanying notes are an integral part
of these financial statements.

THE VALERIE FUND

STATEMENTS OF ACTIVITIES

	Year ended December 31, 2018			Year ended December 31, 2017		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenue:						
Grants and contributions	\$ 1,239,225	\$ 3,105,896	\$ 4,345,121	\$ 1,171,137	\$ 2,033,807	\$ 3,204,944
Special events, net	1,854,764	5,275	1,860,039	1,834,860	10,865	1,845,725
Investment income	124,151	44,383	168,534	110,757	35,764	146,521
Total support and revenue	3,218,140	3,155,554	6,373,694	3,116,754	2,080,436	5,197,190
Net assets released from restriction	1,831,569	(1,831,569)		1,719,291	(1,719,291)	
Total support and revenue	5,049,709	1,323,985	6,373,694	4,836,045	361,145	5,197,190
Expenses:						
Program services:						
Hospital Centers	3,041,428		3,041,428	2,803,134		2,803,134
Camps	402,584		402,584	408,135		408,135
Advocacy	793,076		793,076	750,662		750,662
Total program services	4,237,088		4,237,088	3,961,931		3,961,931
Supporting services:						
Management and general	151,755		151,755	168,128		168,128
Fundraising	803,058		803,058	917,229		917,229
Total supporting services	954,813		954,813	1,085,357		1,085,357
Total expenses	5,191,901		5,191,901	5,047,288		5,047,288
Change in net assets from operations	(142,192)	1,323,985	1,181,793	(211,243)	361,145	149,902
Nonoperating activities:						
Realized and unrealized gain (loss) on investments	(416,615)		(416,615)	280,432		280,432
Total nonoperating activities	(416,615)		(416,615)	280,432		280,432
Change in net assets	(558,807)	1,323,985	765,178	69,189	361,145	430,334
Net assets, beginning of year	5,873,103	4,599,651	10,472,754	5,803,914	4,238,506	10,042,420
Net assets, end of year	\$ 5,314,296	\$ 5,923,636	\$ 11,237,932	\$ 5,873,103	\$ 4,599,651	\$ 10,472,754

The accompanying notes are an integral part of these financial statements.

THE VALERIE FUND
STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 765,178	\$ 430,334
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	33,584	29,146
Discount on pledges receivable	23,027	14,107
Permanently restricted fund contributions	(469)	(7,750)
Amortization of bond premium	34,870	43,001
Realized and unrealized gain (loss) on investments	416,615	(280,432)
Donation of stock	(91,060)	(82,818)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(48,823)	(28,064)
Pledges receivable and grants receivable	(368,988)	(579,385)
Prepaid expenses and other current assets	1,545	28,673
Increase (decrease) in:		
Accounts payable	(109,756)	101,459
Deferred income	86,400	(47,503)
Accrued expenses	(146,020)	170,401
Net cash provided (used) by operating activities	596,103	(208,831)
Cash flows from investing activities:		
Purchase of property and equipment	(3,376)	(36,629)
Purchase of investments	(763,576)	(3,374,447)
Sale and redemption of investments	711,725	1,414,299
Net cash used by investing activities	(55,227)	(1,996,777)
Cash flows from financing activities:		
Permanently restricted contributions	469	7,750
Net cash provided by financing activities	469	7,750
Net increase (decrease) in cash and cash equivalents	541,345	(2,197,858)
Cash and cash equivalents, beginning of year	1,402,318	3,600,176
Cash and cash equivalents, end of year	\$ 1,943,663	\$ 1,402,318

The accompanying notes are an integral part
of these financial statements.

THE VALERIE FUND

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2018 and 2017

	Program services expenses							
	Hospital Centers		Camps		Advocacy		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Payroll	\$ 170,941	\$ 140,471	\$ 76,784	\$ 77,342	\$ 169,621	\$ 158,129	\$ 417,346	\$ 375,942
Payroll taxes and benefits	28,926	28,006	15,947	16,949	29,160	31,407	74,033	76,362
Total personnel costs	199,867	168,477	92,731	94,291	198,781	189,536	491,379	452,304
Specific grants to Centers	2,628,203	2,424,953					2,628,203	2,424,953
Occupancy and facilities	17,088	18,692	113,715	118,559	13,163	19,895	143,966	157,146
Children's activities			81,777	68,106	69,465	62,321	151,242	130,427
Scholarships					448,125	383,197	448,125	383,197
Other program expenses	141,459	145,395			32,287	61,421	173,746	206,816
Professional fees	3,517	2,971	819	1,048	2,617	3,066	6,953	7,085
Insurance	2,959	2,274	4,433	4,546	2,202	2,346	9,594	9,166
Supplies	3,244	2,548	36,977	39,466	2,495	2,716	42,716	44,730
Communications	23,791	17,312	15,024	20,743	19,434	20,352	58,249	58,407
Transportation	255	277	47,312	42,520	210	329	47,777	43,126
Depreciation expense	19,082	17,325	827	841	2,806	2,265	22,715	20,431
Other operating expenses	1,963	2,910	8,969	18,015	1,491	3,218	12,423	24,143
Total expenses	\$ 3,041,428	\$ 2,803,134	\$ 402,584	\$ 408,135	\$ 793,076	\$ 750,662	\$ 4,237,088	\$ 3,961,931
Percentage of total	58.58%	55.54%	7.75%	8.09%	15.28%	14.87%	81.61%	78.50%

The accompanying notes are an integral part of these financial statements.

THE VALERIE FUND

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2018 and 2017

	Management and general		Supporting services expenses		Total		Total program and supporting services expenses	
	2018	2017	2018	2017	2018	2017	2018	2017
Payroll	\$ 103,792	\$ 96,710	\$ 385,072	\$ 380,209	\$ 488,864	\$ 476,919	\$ 906,210	\$ 852,861
Payroll taxes and benefits	12,981	19,695	73,513	74,697	86,494	94,392	160,527	170,754
Total personnel costs	116,773	116,405	458,585	454,906	575,358	571,311	1,066,737	1,023,615
Specific grants to Centers								
Occupancy and facilities	7,466	14,889	44,087	61,348	51,553	76,237	2,628,203	2,424,953
Children's activities							195,519	233,383
Scholarships							151,242	130,427
Other program expenses							448,125	383,197
Professional fees	20,343	27,557	73,110	201,706	93,453	229,263	173,746	206,816
Insurance	1,926	2,273	7,365	6,879	9,291	9,152	100,406	236,348
Supplies	1,450	2,000	13,541	8,394	14,991	10,394	18,885	18,318
Communications	1,297	1,646	175,706	170,390	177,003	172,036	57,707	55,124
Transportation			705	1,183	705	1,183	235,252	230,443
Depreciation expense	1,470	1,802	9,399	6,913	10,869	8,715	48,482	44,309
Other operating expenses	1,030	1,556	20,560	5,510	21,590	7,066	33,584	29,146
Total expenses	\$ 151,755	\$ 168,128	\$ 803,058	\$ 917,229	\$ 954,813	\$ 1,085,357	\$ 5,191,901	\$ 5,047,288
Percentage of total	2.92%	3.33%	15.47%	18.17%	18.39%	21.50%	100.00%	100.00%

The accompanying notes are an integral part of these financial statements.

THE VALERIE FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

1. Nature of the Organization

The Valerie Fund (the Fund) is a not-for-profit organization established in 1976 in memory of nine year old Valerie Goldstein by her parents, Ed and Sue.

The Valerie Fund's mission is to provide support for the comprehensive health care of children with cancer and blood disorders.

Families turn to The Valerie Fund because of the unique combination of medical care, counseling, and other services it provides. The Valerie Fund Children's Centers comprise the largest network of healthcare facilities for children with cancer and blood disorders in New Jersey, and one of the largest in the nation. The centers host approximately 23,000 patient visits each year.

Close to Home: Today there are seven Valerie Fund Children's Centers for Cancer and Blood Disorders located in major hospitals in New Jersey, New York, and the Philadelphia area providing caring, comprehensive, state-of-the-art outpatient health care to thousands of children and their families each year. This network means that sick children are able to receive care close to their homes. Before The Valerie Fund, many children - such as Valerie Goldstein - had to travel long distances because the treatment they needed was available only at major medical facilities located in large cities.

The Whole Patient: At The Valerie Fund Centers, patients receive far more than treatment for their physical illnesses. Our philosophy is that to truly heal the children with whose care we are entrusted, we must treat them emotionally, socially, and developmentally, as well as medically.

The Entire Family: Childhood disease strikes not only the child, but the entire family. When a child is a patient at a Valerie Fund Center, a staff of social workers, counselors, psychologists, and child-life specialists enfold the child and the family in a blanket of ongoing, individualized care. We firmly believe this approach is the most effective way to fight childhood disease.

Since 1982, The Valerie Fund has also operated Camp Happy Times, a free one-week overnight camp experience for children aged 5-21 who have or have had cancer. Approximately 175 children attend Camp Happy Times each summer located at the two hundred acre Tyler Hill Camp in Wayne County, Pennsylvania. Camp Happy Times is a proud member of the International Children's Oncology Camping Association.

Camp Happy Times promotes friendship, independence, and a spirit of cooperation for cancer patients and survivors. The CHT philosophy is to provide a recreationally therapeutic environment that engages participants while building self-esteem, confidence, trust and friendship.

The Valerie Fund also engages in year round advocacy and support for the children treated with cancer and blood disorders. Beyond psychosocial care provided for year round, each December children treated at each of the centers are invited to enjoy festive holiday parties with their parents and siblings. These parties bring together as many as 500 at a time for joyous holiday celebrations where patients can enjoy their caregivers in an entirely different setting. The Fund has created a scholarship program to promote the continued education and advancement of children treated at the centers. It also distributes sporting and event tickets provided by donors to enhance the psychological and emotional care of the children under treatment as well as acts year round on behalf of all children fighting these diseases regionally as well as nationally.

THE VALERIE FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

2. Summary of significant accounting policies

New accounting pronouncement

During 2018, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

As a result of the adoption of ASU, net assets as of December 31, 2017 were reclassified as follows:

	ASU Classifications		
	Without donor restrictions	With donor restrictions	Total net assets
Net asset classifications			
As previously presented:			
Unrestricted	\$ 5,873,103	\$	\$ 5,873,103
Temporarily restricted		3,026,142	3,026,142
Permanently restricted		1,573,509	1,573,509
Total net assets	<u>\$ 5,873,103</u>	<u>\$ 4,599,651</u>	<u>\$ 10,472,754</u>

Basis of presentation

The financial statements of the Fund have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require the Fund to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Fund. These net assets may be used at the discretion of the Fund's management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

THE VALERIE FUND
NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

2. Summary of significant accounting policies (continued)

Measure of operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing services and interest and dividends earned on investments. Nonoperating activities are limited to realized and unrealized gains (losses) and other activities considered to be of a more unusual or nonrecurring nature.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statement of cash flows, the Fund considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Restricted cash and cash equivalents are limited in use to the Green Light capital campaign, scholarship grants, emergency funds, and the Fund's endowment.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values on the balance sheet. Unrealized gains and losses are included in the changes in net assets without donor restriction for the gains and losses that are unrestricted, and in the changes in net assets with donor restriction for the gains and losses that are restricted for the support of certain programs. Investment fees are netted against the investment income.

Fair value measurement

U.S. GAAP establishes 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 and liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date;

Level 2 - Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly, including inputs that are not considered to be active;

Level 3 - Inputs that are unobservable.

THE VALERIE FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

2. Summary of significant accounting policies (continued)

Fair value measurement (continued)

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad criteria data, liquidity statistics, and other factors. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Organization. The Organization considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Organization's perceived risk of that investment.

Accounts receivable

Accounts receivable consist of amounts unpaid from special events and donor events. All accounts receivable are expected to be collected within one year.

Pledges and grants receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Allowance for doubtful pledges receivable

The Fund determines whether an allowance for uncollectible accounts receivable should be provided. Such estimates are based on management's assessment of the aged basis for the Fund's receivables, current economic conditions and historical experience. As of December 31, 2018 and 2017, the Fund determined that an allowance was not necessary.

Property and equipment

Property and equipment are stated at cost, if purchased, or at fair value at the date of the gift, if donated, less accumulated depreciation. The cost of property and equipment purchased in excess of \$1,000 is capitalized. Depreciation is provided in amounts sufficient to amortize the cost of the property and equipment over the estimated useful lives on a straight-line basis.

Building and improvements	23 - 39 years
Office equipment	3 - 10 years
Furniture and fixtures	7 years

The cost of assets sold or otherwise disposed of and the accumulated depreciation thereon are eliminated from the accounts and the resulting gain or loss is reflected in income except for assets traded where no cash is received. Expenditures for maintenance and repairs are charged to expense as incurred; replacements and betterments that extend the useful lives are capitalized.

THE VALERIE FUND
NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

2. Summary of significant accounting policies (continued)

Contributions

Contributions, including unconditional pledges, are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Pledges are recognized when the conditions on which they depend are substantially met. Bequests are recognized when the Fund receives notification that the probate court has declared the will valid. Conditional pledges are recognized as income when the conditions of the pledge are met.

Non-cash contributions

The Fund receives donated services from specialized providers and other volunteers that create or enhance non-financial assets and allow the Fund to fulfill its mission. The Fund also uses various volunteers to carry out organizational activities at the summer camp program; the value of these services has not been reflected on the accompanying financial statements.

Non-cash donations, other than professional services, are recorded as support at their estimated fair value at the date of donation (see note 14).

Functional expenses allocation

The costs of providing various programs and support services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as time and effort and square footage.

Income taxes

The Organization is a tax-exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Reclassifications

Certain amounts from the 2017 financial statements have been reclassified to conform to the 2018 presentation.

THE VALERIE FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

3. Concentration of credit risk

Financial instruments that potentially subject the Fund to concentrations of credit risk consist principally of cash and cash equivalents, investments, accounts receivable, and pledges and grants receivable. The Fund maintains its cash and cash equivalents in various high-quality financial institutions located in New Jersey, the balances of which, at times, may exceed federally insured limits. Investments are exposed to various risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements. Risk relating to accounts, pledges and grants receivable is limited due to the fact that the receivables are mainly derived from prominent individuals and/or established companies. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

4. Availability and liquidity

The following represents the Organization's financial assets at December 31:

Financial assets at year end	<u>2018</u>	<u>2017</u>
Cash	\$ 1,943,663	\$ 1,402,318
Investments	6,279,580	6,588,154
Accounts receivable	116,476	67,653
Pledges and grants receivable	<u>1,236,313</u>	<u>1,041,013</u>
Total financial assets	<u>9,576,032</u>	<u>9,099,138</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	5,919,109	4,599,651
Less net assets with purpose restrictions to be met in less than a year	(1,120,000)	(1,234,025)
Board designated fund	<u>100,000</u>	<u>100,000</u>
	<u>4,899,109</u>	<u>3,465,626</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,676,923</u>	<u>\$ 5,633,512</u>

The Organization's goal is generally to maintain financial assets in the amount of \$1,000,000 to meet 10 weeks of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

In addition, there is a board designated fund established by the governing board that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

THE VALERIE FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

5. Cash and cash equivalents

Cash and cash equivalents consist of the following at December 31:

	2018	2017
Operating cash and cash equivalents	\$ 1,540,701	\$ 1,067,617
Restricted cash and cash equivalents	402,962	334,701
	\$ 1,943,663	\$ 1,402,318

6. Investments

Investments securities are stated at fair value and are summarized as follows at December 31:

	2018		2017	
	Amortized cost	Fair value	Amortized cost	Fair value
Stocks	\$ 638,207	\$ 705,080	\$ 625,489	\$ 819,604
Mutual funds	1,151,900	1,058,589	1,151,900	1,241,020
Corporate bonds	4,156,749	4,076,501	4,145,269	4,145,780
Other ETP	440,160	439,410	350,886	381,750
	\$ 6,387,016	\$ 6,279,580	\$ 6,273,544	\$ 6,588,154

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31:

	2018		
	Without donor restrictions	With donor restrictions	Total
Dividends and interest	\$ 124,151	\$ 44,383	\$ 168,534
Realized and unrealized loss	(416,615)		(416,615)
	\$ (292,464)	\$ 44,383	\$ (248,081)
	2017		
	Without donor restrictions	With donor restrictions	Total
Dividends and interest	\$ 110,757	\$ 35,764	\$ 146,521
Realized and unrealized gain	280,432		280,432
	\$ 391,189	\$ 35,764	\$ 426,953

THE VALERIE FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

7. Fair value measurement

The classification of the Fund's investment securities at fair value are as follows at December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks	\$ 705,080	\$	\$	\$ 705,080
Mutual funds	1,058,589			1,058,589
Corporate bonds	4,076,501			4,076,501
Other ETP	439,410			439,410
	<u>\$ 6,279,580</u>	<u>\$</u>	<u>\$</u>	<u>\$ 6,279,580</u>

The classification of the Fund's investment securities at fair value are as follows at December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks	\$ 819,604	\$	\$	\$ 819,604
Mutual funds	1,241,020			1,241,020
Corporate bonds	4,145,780			4,145,780
Other ETP	381,750			381,750
	<u>\$ 6,588,154</u>	<u>\$</u>	<u>\$</u>	<u>\$ 6,588,154</u>

8. Pledges and grants receivable

Pledges and grants receivable are due as follows at December 31:

	<u>2018</u>	<u>2017</u>
Within one year	\$ 1,236,313	\$ 1,041,013
Two to five years	1,675,330	1,527,475
Thereafter	25,833	
	2,937,476	2,568,488
Less unamortized discount on pledges	115,149	92,122
	<u>\$ 2,822,327</u>	<u>\$ 2,476,366</u>

Pledges receivable due in more than one year are reflected at the present value of estimated cash flows using a risk-free interest rate of approximately 2.51% and 2.20% in 2018 and 2017, respectively.

THE VALERIE FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

9. Property and equipment

Property and equipment consists of the following at December 31:

	<u>2018</u>	<u>2017</u>
Land	\$ 50,000	\$ 50,000
Building and improvements	289,417	289,417
Office equipment	178,239	177,813
Furniture and fixtures	<u>21,763</u>	<u>21,763</u>
	539,419	538,993
Less accumulated depreciation	<u>293,489</u>	<u>262,855</u>
	<u>\$ 245,930</u>	<u>\$ 276,138</u>

Depreciation expense at December 31, 2018 and 2017 was \$33,584 and \$29,146, respectively.

10. Special events

The Fund sponsored several events during the years ended December 31, 2018 and 2017 to raise additional funds for its charitable activities. The events and the net income derived are as follows:

	<u>2018</u>		
	<u>Income</u>	<u>Expenses</u>	<u>Net</u>
Thanksgiving Ball	\$ 460,471	\$ 153,479	\$ 306,992
Baltusrol Golf Outing	414,948	139,203	275,745
"Careoke"	206,813	28,980	177,833
Burger King Golf Outing	86,470	37,798	48,672
Walkathon	948,447	136,783	811,664
Subaru Run	116,520	74,525	41,995
Miscellaneous	126,982	3,263	123,719
Community events	<u>94,352</u>	<u>20,933</u>	<u>73,419</u>
	<u>\$ 2,455,003</u>	<u>\$ 594,964</u>	<u>\$ 1,860,039</u>
	<u>2017</u>		
	<u>Income</u>	<u>Expenses</u>	<u>Net</u>
Thanksgiving Ball	\$ 403,461	\$ 156,483	\$ 246,978
Baltusrol Golf Outing	360,450	133,194	227,256
"Careoke"	191,788	22,451	169,337
Burger King Golf Outing	90,810	52,701	38,109
Walkathon	858,117	135,052	723,065
Miscellaneous	127,989	19,311	108,678
Community events	<u>586,032</u>	<u>253,730</u>	<u>332,302</u>
	<u>\$ 2,618,647</u>	<u>\$ 772,922</u>	<u>\$ 1,845,725</u>

THE VALERIE FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

11. Net assets

Net assets were as follows for the years ended December 31, 2018 and 2017:

	2018			2017		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Undesignated	\$5,214,296	\$	\$5,214,296	\$5,773,103	\$	\$5,773,103
Board designated funds available for scholarships	100,000		100,000	100,000		100,000
Specific purpose:						
Late Effects Program		108,202	108,202		108,202	108,202
Scholarship funds		473,388	473,388		542,927	542,927
Joe Abrams emergency fund		16,172	16,172		172	172
General endowment		139,380	139,380		135,728	135,728
Van service		77,843	77,843		130,370	130,370
Sickle Cell Programs		532	532		532	532
Martin Adler Fund		70	70		4	4
Green Light Capital Campaign		3,419,045	3,419,045		1,877,955	1,877,955
TVF Centers - psychologists and social programs					116,228	116,228
Teen Room		16,217	16,217		16,217	16,217
Morristown - palliative care					2,295	2,295
Morristown – holiday party		54	54			
Grief Speaks		1,500	1,500		1,500	1,500
Camp Happy Times		34,947	34,947			
Schiller Family Fund		49,108	49,108		71,575	71,575
St. Joseph		700	700			
Passage of time:						
For periods after December 31		12,500	12,500		22,437	22,437
Endowment		1,573,978	1,573,978		1,573,509	1,573,509
Total net assets	<u>\$5,314,296</u>	<u>\$5,923,636</u>	<u>\$11,237,932</u>	<u>\$5,873,103</u>	<u>\$4,599,651</u>	<u>\$10,472,754</u>

THE VALERIE FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

11. Net assets (continued)

Releases from net assets with donor restrictions are as follows at December 31:

	<u>2018</u>	<u>2017</u>
Camp Happy Times Relief Fund	\$ 402,584	\$ 403,865
Scholarship grants	448,125	383,197
St. Barnabas van service	52,527	38,524
Morristown Memorial holiday parties	10,446	8,888
Child Life Programs	84,095	39,050
Monmouth Medical Center Child Life		514
Morristown Memorial Integrated Health	13,173	17,841
Newark Beth Israel holiday parties	7,500	7,500
Holiday parties - other		20,793
Sickle Cell programs		1,998
General endowment	27,459	2,159
TVF Centers - psychologists and social programs	146,228	216,805
TVF Centers - educational liaisons	22,500	7,500
Morristown Memorial		14,652
Morristown Palliative Care	2,295	
Green Light Capital Campaign	554,782	451,682
CHOP Child Life and social workers		22,550
Late Effects Program		62,298
VGO Robots	18,418	4,475
Joe Abrams emergency fund	9,000	
Passage of time	9,937	
Schiller Family Fund	22,500	15,000
	<u>\$ 1,831,569</u>	<u>\$ 1,719,291</u>

12. Board designated funds available for scholarships

As of December 31, 2018 and 2017, the Board of Directors has designated \$100,000 of net assets without donor restrictions for "The Kathy Richter" scholarship fund. Since that amount resulted from an internal designation and is not donor restricted, it is classified as net assets without donor restrictions.

THE VALERIE FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

13. Endowment

The Fund's endowment consists of several individual funds established for both specific purposes and for the general support of the Fund. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

GAAP provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) which was enacted in the State of New Jersey in June 2009.

The Fund interprets the UPMIFA of the State of New Jersey, requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowments, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time accumulation is added to the fund.

The Finance Committee of the Board of Trustees of the Fund is responsible for the long-term investment policies for donor-restricted endowment funds. The Board of Trustees established a policy whereby once the general endowment reached \$1,000,000, up to 5% of average market value of the donor restricted endowment fund may be distributed each year to fund operations. However, no such distribution shall be made to the extent it would reduce the value below the endowed corpus. The market value of assets associated with donor restricted endowment funds may fall below the level of the original gift.

THE VALERIE FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

13. Endowment funds (continued)

Changes in the Fund's endowment net assets for the years ended December 31, 2018 are as follows:

	Without donor restrictions	<u>With donor restrictions</u>			Total endowment
	Funds functioning as endowment	<u>Appreciation</u>	<u>Historical gift value</u>	<u>Total</u>	
Endowment net assets, beginning of year	\$ 313,892	\$ 199,786	\$ 1,573,509	\$ 1,773,295	\$ 2,087,187
Investment return:					
Interest and dividends		44,386		44,386	44,386
Net depreciation, realized and unrealized	(152,260)				(152,260)
Total investment return	(152,260)	44,386		44,386	(107,874)
Contributions			469	469	469
Appropriation of endowment assets		(27,459)		(27,459)	(27,459)
Endowment net assets, end of year	\$ 161,632	\$ 216,713	\$ 1,573,978	\$ 1,790,691	\$ 1,952,323

Changes in the Fund's endowment net assets for the years ended December 31, 2017 are as follows:

	Without donor restrictions	<u>With donor restrictions</u>			Total endowment
	Funds functioning as endowment	<u>Appreciation</u>	<u>Historical gift value</u>	<u>Total</u>	
Endowment net assets, beginning of year	\$ 154,551	\$ 94,605	\$ 1,652,334	\$ 1,746,939	\$ 1,901,490
Investment return:					
Interest and dividends		35,765		35,765	35,765
Net appreciation, realized and unrealized	159,341				159,341
Total investment return	159,341	35,765		35,765	195,106
Contributions			7,750	7,750	7,750
Appropriation of endowment assets		(17,159)		(17,159)	(17,159)
Reclassifications		86,575	(86,575)		
Endowment net assets, end of year	\$ 313,892	\$ 199,786	\$ 1,573,509	\$ 1,773,295	\$ 2,087,187

THE VALERIE FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

13. Endowment funds (continued)

Endowment funds are for the following purposes at December 31:

	2018	2017
General endowment	\$ 895,450	\$ 895,450
Lisa Heart Child Life Programs endowment	45,124	45,124
Steve Jones Memorial Camp Happy Times endowment	45,485	45,485
Millie & Gill Camp Happy Times endowment	35,850	35,850
Noah Harris integrative medicine and Noah's Love Puppies endowment	450,469	450,000
Hannah Xue scholarship endowment	101,600	101,600
	\$ 1,573,978	\$ 1,573,509

14. Non-cash contributions

The Fund received the following in-kind contributions during the years ended December 31:

	2018	2017
Holiday toy contributions	\$ 91,993	\$ 60,424
Event tickets	5,373	42,075
Supplies for Camp Happy Times	70,907	55,406
Walkathon	35,825	142,080
Billboard advertising	108,332	98,275
Miscellaneous	11,000	4,240
	\$ 323,430	\$ 402,500

The above amounts are included as grants and contributions, and special events in the statement of activities.

15. Subsequent events

The Fund has evaluated subsequent events through October 9, 2019, which is the date the financial statements were available to be issued. The Organization is not aware of any material subsequent events.