



Financial Statements

(Together with Independent Auditors' Report)

Years Ended September 30, 2018 and 2017

THE FRESH AIR FUND

Financial Statements

Years ended September 30, 2018 and 2017
with Report of Independent Auditors

The Fresh Air Fund

Financial Statements

Years Ended September 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Fresh Air Fund

We have audited the accompanying financial statements of The Fresh Air Fund (the "Fund"), which comprise the statements of financial position as of September 30, 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 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 Fresh Air Fund as of September 30, 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.

Marks Paneth LLP

New York, NY
January 10, 2019

The Fresh Air Fund

Statements of Financial Position

	September 30,	
	2018	2017
Assets		
Cash and cash equivalents	\$ 7,576,875	\$ 4,395,232
Accounts, grants and other receivables	159,450	200,533
Pledges receivable	1,486,830	1,598,225
Prepaid expenses	1,365,205	777,406
Investments	100,104,374	98,853,466
Land	7,074,753	7,069,753
Buildings and equipment, net	19,589,358	20,681,816
Beneficial interests in perpetual trusts	2,472,323	2,409,333
Other assets	392,011	392,011
Total assets	\$ 140,221,179	\$ 136,377,775
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 661,888	\$ 539,522
Commitments and contingencies	-	-
Net assets		
Unrestricted -		
Operations	69,157	54,418
Board designated endowment	96,155,981	91,454,423
Land, buildings and equipment	26,664,111	27,751,569
Total unrestricted	122,889,249	119,260,410
Temporarily restricted	2,039,560	2,010,851
Permanently restricted	14,630,482	14,566,992
Total net assets	139,559,291	135,838,253
Total liabilities and net assets	\$ 140,221,179	\$ 136,377,775

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

The Fresh Air Fund
Statement of Activities
Year Ended September 30, 2018

	Unrestricted Net Assets			Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total	
	Operations	Board Designated Endowment	Land, Buildings and Equipment				Total Unrestricted
Support, revenue and reclassifications							
Support:							
Public Support:							
Received directly:							
Contributions	\$ 7,522,831	\$ -	\$ -	\$ 7,522,831	\$ 656,663	\$ 500	\$ 8,179,994
Legacies and bequests	-	2,798,974	-	2,798,974	-	-	2,798,974
Off-Season Camping	1,046,402	-	-	1,046,402	-	-	1,046,402
Special events, net of direct benefit cost to donors of \$667,177	1,636,537	-	-	1,636,537	-	-	1,636,537
Other income	2,088	-	-	2,088	-	-	2,088
Government Support:							
Summer Food Program	304,895	-	-	304,895	-	-	304,895
Total support	10,512,753	2,798,974	-	13,311,727	656,663	500	13,968,890
Revenue:							
Total investment return, net of investment advisory fees of \$532,311	139,871	7,320,207	-	7,460,078	-	-	7,460,078
Gain on beneficial interests in perpetual trusts	-	-	-	-	-	62,990	62,990
Total revenue	139,871	7,320,207	-	7,460,078	-	62,990	7,523,068
Reclassifications:							
Satisfaction of donor imposed restrictions	627,954	-	-	627,954	(627,954)	-	-
Total support, revenue and reclassifications	11,280,578	10,119,181	-	21,399,759	28,709	63,490	21,491,958
Expenses							
Program services:							
Friendly Towns activities	3,899,657	-	150,478	4,050,135	-	-	4,050,135
Fresh Air Camping activities	5,138,321	-	84,359	5,222,680	-	-	5,222,680
Sharpe Reservation activities	2,412,810	-	1,341,647	3,754,457	-	-	3,754,457
Total program services	11,450,788	-	1,576,484	13,027,272	-	-	13,027,272
Supporting services:							
Fund-raising	3,608,420	-	64,979	3,673,399	-	-	3,673,399
Office services and administration	1,105,560	-	42,179	1,147,739	-	-	1,147,739
Total supporting services	4,713,980	-	107,158	4,821,138	-	-	4,821,138
Total expenses	16,164,768	-	1,683,642	17,848,410	-	-	17,848,410
Net Asset transfers	4,898,929	(5,495,113)	596,184	-	-	-	-
Pension changes other than net periodic costs	-	77,490	-	77,490	-	-	77,490
Change in net assets	14,739	4,701,558	(1,087,458)	3,628,839	28,709	63,490	3,721,038
Net Assets, beginning of year	54,418	91,454,423	27,751,569	119,260,410	2,010,851	14,566,992	135,838,253
Net Assets, end of year	\$ 69,157	\$ 96,155,981	\$ 26,664,111	\$ 122,889,249	\$ 2,039,560	\$ 14,630,482	\$ 139,559,291

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

The Fresh Air Fund
Statement of Activities
Year Ended September 30, 2017

	Unrestricted Net Assets			Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total	
	Operations	Board Designated Endowment	Land, Buildings and Equipment				Total Unrestricted
Support, revenue and reclassifications							
Support:							
Public Support:							
Received directly:							
Contributions	\$ 7,634,378	\$ -	\$ 1,300,000	\$ 8,934,378	\$ 1,011,175	\$ 6,500	\$ 9,952,053
Legacies and bequests	-	2,659,916	-	2,659,916	-	51,657	2,711,573
Off-Season Camping	1,217,367	-	-	1,217,367	-	-	1,217,367
Special events, net of direct benefit cost to donors of \$699,261	1,136,801	-	-	1,136,801	-	-	1,136,801
Other income	5,191	-	-	5,191	-	-	5,191
Government Support:							
Summer Food Program	330,497	-	-	330,497	-	-	330,497
Total support	<u>10,324,234</u>	<u>2,659,916</u>	<u>1,300,000</u>	<u>14,284,150</u>	<u>1,011,175</u>	<u>58,157</u>	<u>15,353,482</u>
Revenue:							
Total investment return, net of investment advisory fees of \$461,962	597,927	9,193,057	-	9,790,984	-	-	9,790,984
Gain on beneficial interests in perpetual trusts	-	-	-	-	-	137,519	137,519
Total revenue	<u>597,927</u>	<u>9,193,057</u>	<u>-</u>	<u>9,790,984</u>	<u>-</u>	<u>137,519</u>	<u>9,928,503</u>
Reclassifications:							
Satisfaction of donor imposed restrictions	570,150	-	30,000	600,150	(600,150)	-	-
Total support, revenue and reclassifications	<u>11,492,311</u>	<u>11,852,973</u>	<u>1,330,000</u>	<u>24,675,284</u>	<u>411,025</u>	<u>195,676</u>	<u>25,281,985</u>
Expenses							
Program services:							
Friendly Towns activities	4,216,003	-	149,284	4,365,287	-	-	4,365,287
Fresh Air Camping activities	7,501,220	-	1,360,694	8,861,914	-	-	8,861,914
Total program services	<u>11,717,223</u>	<u>-</u>	<u>1,509,978</u>	<u>13,227,201</u>	<u>-</u>	<u>-</u>	<u>13,227,201</u>
Supporting services:							
Fund-raising	3,598,108	-	64,463	3,662,571	-	-	3,662,571
Office services and administration	1,106,885	-	41,845	1,148,730	-	-	1,148,730
Total supporting services	<u>4,704,993</u>	<u>-</u>	<u>106,308</u>	<u>4,811,301</u>	<u>-</u>	<u>-</u>	<u>4,811,301</u>
Total expenses	<u>16,422,216</u>	<u>-</u>	<u>1,616,286</u>	<u>18,038,502</u>	<u>-</u>	<u>-</u>	<u>18,038,502</u>
Net Asset transfers	4,929,905	(8,333,897)	3,403,992	-	-	-	-
Pension changes other than net periodic costs	-	1,208,904	-	1,208,904	-	-	1,208,904
Change in net assets	-	4,727,980	3,117,706	7,845,686	411,025	195,676	8,452,387
Net Assets, beginning of year	54,418	86,726,443	24,633,863	111,414,724	1,599,826	14,371,316	127,385,866
Net Assets, end of year	<u>\$ 54,418</u>	<u>\$ 91,454,423</u>	<u>\$ 27,751,569</u>	<u>\$ 119,260,410</u>	<u>\$ 2,010,851</u>	<u>\$ 14,566,992</u>	<u>\$ 135,838,253</u>

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

The Fresh Air Fund
Statement of Functional Expenses
Year Ended September 30, 2018

	Program Services				Supporting Services			Direct Benefit to Donors	Total Expenses
	Friendly Towns Activities	Fresh Air Camping Activities	Sharpe Reservation Activities	Total Program Expenses	Fund- Raising	Office Services and Administration	Total Supporting Services Expenses		
Staff salaries and benefits	\$ 2,061,744	\$ 2,730,405	\$ 1,260,994	\$ 6,053,143	\$ 920,854	\$ 887,775	\$ 1,808,629	\$ 5,424	\$ 7,867,196
Communication	190,179	142,285	37,410	369,874	1,724,072	25,096	1,749,168	45,722	2,164,764
Insurance	286,214	81,156	93,469	460,839		7,268	7,268	-	468,107
Professional fees	85,940	91,582	31,893	209,415	553,233	606,629	1,159,862	12,419	1,381,696
Occupancy (repairs, maintenance, utilities)	263,008	308,494	715,902	1,287,404	388,453	105,114	493,567		1,780,971
Transportation	434,211	244,283	-	678,494	-	-	-	-	678,494
Food	1,484	1,098,951	247,080	1,347,515	1,647	-	1,647	-	1,349,162
Volunteer expense	410,474	845	-	411,319	4,783	-	4,783	-	416,102
Program supplies and equipment	144,213	248,134	17,651	409,998	1,477	-	1,477	-	411,475
Contracted services	-	150,982	-	150,982	2,823	-	2,823	602,388	756,193
Other	22,190	41,204	8,411	71,805	11,078	5,989	17,067	1,224	90,096
Total functional expenses before depreciation	3,899,657	5,138,321	2,412,810	11,450,788	3,608,420	1,637,871	5,246,291	667,177	17,364,256
Depreciation	150,478	84,359	1,341,647	1,576,484	64,979	42,179	107,158	-	1,683,642
Total functional expenses	4,050,135	5,222,680	3,754,457	13,027,272	3,673,399	1,680,050	5,353,449	667,177	19,047,898
Less cost of direct benefits to donors	-	-	-	-	-	-	-	(667,177)	(667,177)
Less cost of investment advisory fees	-	-	-	-	-	(532,311)	(532,311)	-	(532,311)
Total expenses reported by function in the statement of activities	\$ 4,050,135	\$ 5,222,680	\$ 3,754,457	\$ 13,027,272	\$ 3,673,399	\$ 1,147,739	\$ 4,821,138	\$ -	\$ 17,848,410

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

The Fresh Air Fund
Statement of Functional Expenses
Year Ended September 30, 2017

	Program Services			Supporting Services			Direct Benefit to Donors	Total Expenses
	Friendly Towns Activities	Fresh Air Camping Activities	Total Program Expenses	Fund- Raising	Office Services and Administration	Total Supporting Services Expenses		
Staff salaries and benefits	\$ 1,984,096	\$ 4,160,825	\$ 6,144,921	\$ 761,595	\$ 901,693	\$ 1,663,288	\$ 5,412	\$ 7,813,621
Communication	207,357	136,947	344,304	1,931,575	26,827	1,958,402	58,257	2,360,963
Insurance	262,373	136,324	398,697	-	6,630	6,630	-	405,327
Professional fees	288,500	128,335	416,835	609,973	515,078	1,125,051	30,808	1,572,694
Occupancy (repairs, maintenance, utilities)	353,727	890,113	1,243,840	257,309	111,244	368,553	5,686	1,618,079
Transportation	406,774	232,266	639,040	975	-	975	-	640,015
Food	1,719	1,473,039	1,474,758	1,766	-	1,766	-	1,476,524
Volunteer expense	492,183	1,759	493,942	5,566	-	5,566	-	499,508
Program supplies and equipment	192,950	306,664	499,614	9,515	-	9,515	-	509,129
Contracted services	-	4,403	4,403	5,237	-	5,237	598,014	607,654
Other	26,324	30,545	56,869	14,597	7,375	21,972	1,084	79,925
Total functional expenses before depreciation	4,216,003	7,501,220	11,717,223	3,598,108	1,568,847	5,166,955	699,261	17,583,439
Depreciation	149,284	1,360,694	1,509,978	64,463	41,845	106,308	-	1,616,286
Total functional expenses	4,365,287	8,861,914	13,227,201	3,662,571	1,610,692	5,273,263	699,261	19,199,725
Less cost of direct benefits to donors	-	-	-	-	-	-	(699,261)	(699,261)
Less cost of investment advisory fees	-	-	-	-	(461,962)	(461,962)	-	(461,962)
Total expenses reported by function in the statement of activities	\$ 4,365,287	\$ 8,861,914	\$ 13,227,201	\$ 3,662,571	\$ 1,148,730	\$ 4,811,301	\$ -	\$ 18,038,502

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

The Fresh Air Fund
Statements of Cash Flows

	Years ended September 30,	
	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 3,721,038	\$ 8,452,387
Adjustments to reconcile change in net assets to net cash used in operating activities		
Pension changes nonperiodic pension costs	(77,490)	(1,208,904)
Depreciation expense	1,683,642	1,616,286
Contributions permanently restricted	(500)	(58,157)
Contributions for capital items	-	(1,300,000)
Pledge discount amortization	(4,155)	32,875
Net realized and unrealized gain in investment portfolio	(7,335,575)	(9,655,019)
Change in value of beneficial interests in perpetual trusts	(62,990)	(137,519)
Change in operating assets and liabilities		
Decrease (Increase) in receivables	156,633	(538,992)
Increase in prepaid expenses	(587,799)	(323,520)
Increase (Decrease) in accounts payable and accrued liabilities	199,856	(193,831)
Net cash used in operating activities	(2,307,340)	(3,314,394)
Cash flows from investing activities		
Purchases of investments	(153,770)	(17,067,168)
Sales of investments	6,238,437	23,396,765
Purchase of land	(5,000)	(3,953,349)
Purchases of buildings and equipment	(591,184)	(780,643)
Net cash provided by investing activities	5,488,483	1,595,605
Cash flows from financing activities		
Contributions permanently restricted	500	58,157
Contributions for capital items	-	1,300,000
Net cash provided by financing activities	500	1,358,157
Net change in cash and cash equivalents	3,181,643	(360,632)
Cash and cash equivalents, beginning of year	4,395,232	4,755,864
Cash and cash equivalents, end of year	\$ 7,576,875	\$ 4,395,232

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

The Fresh Air Fund

Notes to Financial Statements

September 30, 2018 and 2017

1. Organization and Nature of Activities

The Fresh Air Fund, (the “Fund”) an independent, not-for-profit organization, has provided free summer experiences to more than 1.8 million New York City children from low-income communities since 1877. Each year, thousands of children experience outdoor summer adventures through visits with volunteer host families in rural and suburban communities along the East Coast and Southern Canada and at The Fund’s five overnight camps on a more than 2,000 acre site in Fishkill, New York. Fresh Air children also participate in year-round leadership and educational programs, and the Sharpe Reservation, located in the lower Hudson Valley, welcomes thousands more students and guests for its environmental educational and team-building programs.

Tax Status

The Fund is a not-for-profit voluntary organization exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (the “Code”) and, accordingly, is not subject to federal income taxes under Section 501(a) of the Code. As a not-for-profit organization, the Fund is exempt from New York State and New York City income and sales taxes. The Fund has been classified as an organization, which is not a private foundation and has been designated as a publicly supported organization under Section 509(a)(1) of the Code and qualifies for the maximum charitable contribution deduction for donors.

Description of Program Services

Friendly Towns Activities

Approximately 3,000 Fresh Air children visit rural, suburban and small-town communities along the East Coast and Southern Canada, called Friendly Towns, during the summer. During the one or two week visits with volunteer host families, children and their hosts form bonds of friendship and fun by sharing personal, day-to-day experiences. Children travel to a new place, develop independence, make new friends, learn new skills, and gain a new perspective, all while making memories and having fun. Every family goes through a rigorous screening process including a home visit, interview, references and a background check. Many Fresh Air children are re-invited to stay with the same host family year after year and form friendships that last a lifetime. Children on first-time visits are seven to 12 years old. Reinvited children may continue through age 18 and may enjoy extended trips.

The Fresh Air Fund

Notes to Financial Statements

September 30, 2018 and 2017

1. Organization and Nature of Activities (continued)

Fresh Air Camping and Year-Round Activities

The Fresh Air Fund's camping programs take place year-round on The Fund's Sharpe Reservation, which has over 2,000 acres of wilderness property, in Fishkill, NY, 65 miles north of New York City. In the summer, 3,000 New York City children learn and grow through immersive outdoor experiences. For two weeks, campers swim and row boats on the lake, stargaze, hike nature trails and learn about animals and where their food comes from at the camp farm and nutrition center. Campers return home with more confidence, new skills and new friends. During the school year, campers are invited to participate in year-round leadership and educational programs through tutoring and mentoring programs. The Fund's academic enrichment and leadership programs provide students with a strong network of support on their academic journey through its Career Awareness Program, the College Connections Programs and its Teen Leadership Programs.

Fresh Air Sharpe Reservation

Located in the Hudson Valley, The Fresh Air Fund's Sharpe Reservation in Fishkill, NY, has over 2,000 acres of beautiful land with lakes, ponds, streams and hiking trails through the woods. During the school year, over 10,000 people from community and school groups in the tristate region participate in our environmental educational programs. We offer student, and community groups hands-on, interactive, experiences to learn about the environment and explore nature. Groups visit the Sharpe Environmental Center, the Gustafson Planetarium, our high and low ropes courses, and the numerous nature trails across the Reservation. Our programs are customized to meet the unique needs of each group. We focus on teaching team-building, problem solving, critical thinking, and effective communication along with rich learning on caring for the environment.

Fund-Raising Services

Fund-raising services relate to the activities of the development department in raising general and specific contributions.

Office Services and Administration

Office services and administration include finance, administration and general support activities. Certain administrative costs that relate to specific programs have been allocated to such programs.

Direct Benefit to Donor Costs

Direct benefit to donor costs are costs incurred in connection with special events related to items benefiting attendees of such events, such as meals and entertainment.

The Fresh Air Fund

Notes to Financial Statements (continued)

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Presentation

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

Net Assets

To adhere to restrictions placed on the resources available to the organization, the Fund follows the principles of fund accounting. This is the procedure by which resources are classified for accounting and reporting purposes into funds established according to their nature and purpose.

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Fund are classified and reported as follows:

Unrestricted Net Assets: Net assets of the Fund that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. These include operations, the Board-designated endowment, and the land, buildings and equipment funds. The Board of Directors has a policy of putting certain legacies and bequests and contributions in the Board-designated endowment fund. Annual transfers from this fund to the operating fund are based on the average of the most recent 12 quarters of the market values of Board-designated endowment investments. In addition, transfers to the land, buildings and equipment fund are made for capital additions, net of current year depreciation expense. The land, buildings and equipment fund reflects the net asset value of land, buildings and equipment.

Temporarily Restricted Net Assets: Net assets of the Fund resulting from contributions and other inflows of assets whose use by the Fund is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Fund pursuant to restricted stipulations. When a prior year donor restriction expires, the restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as satisfaction of donor-imposed restrictions. The Fund reports program-related restricted contributions whose stipulations were met in the same year as unrestricted contributions.

Permanently Restricted Net Assets: Net assets of the Fund resulting from contributions and other inflows of assets whose use by the Fund is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Fund. Income earned on the assets may be expended by the Fund for donor-restricted program purposes.

The Fresh Air Fund

Notes to Financial Statements (continued)

2. Summary of Significant Accounting and Financial Reporting Policies (continued)

Revenue Recognition and Allowance for Doubtful Accounts

The Fund records as revenue contributions, when they are received unconditionally at their fair value, including: cash, promises to give, certain contributed services and merchandise and gifts of long-lived and other assets. Conditional contributions are recognized as revenue when the conditions on which they depend on have been substantially met. The Fund's grants are cost reimbursement type grants and are considered conditional contributions for applying revenue recognition policies.

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. As of September 30, 2018, and 2017, the Fund determined that no allowance for doubtful accounts should be provided for accounts, grants and other receivables, and pledges and legacies receivable. Such estimate is based on a combination of factors, such as management's assessment of the aged basis of its contributors and government funding sources, creditworthiness of contributors, current economic conditions and historical experience.

Cash and Cash Equivalents

The Fund includes in cash and cash equivalents financial instruments which are highly liquid and have maturity dates of three months or less from the date of purchase. The carrying amounts reported in the statements of financial position approximate fair value.

Legacies and Bequests

The Fund is the beneficiary of legacies and bequests under various wills. The Fund's share of such bequests is recorded when the Fund has an irrevocable right to the bequest and the proceeds are measurable.

Investments

The Fund carries its investments at fair value based on quoted market prices. The fair value of beneficial interests in perpetual trusts is approximated by the Fund's share of the fair value of the assets held by the trust. Realized and unrealized gains and losses on investments are reflected in the accompanying statements of activities.

The Fresh Air Fund

Notes to Financial Statements (continued)

2. Summary of Significant Accounting and Financial Reporting Policies (continued)

Interests in limited partnerships are stated at fair value as estimated in an unquoted market. Individual investment holdings within these investments include primarily market-traded securities, as well as other nonmarketable securities. Fair values of these investments are determined by the investment managers or general partners. Values may be based on historical cost, appraisals, or other estimates that require varying degrees of judgment. Generally, fair value reflects net contributions to the investee and an ownership share of realized and unrealized investment income and expenses. Because of the inherent uncertainty of these investments, values of limited partnerships and limited liability companies' investments may differ significantly from values that would have been used had a ready market for the investments existed. The financial statements of the investees are audited annually by independent auditors.

The Fund's endowment investment policy is to invest primarily in a mix of equities and limited partnerships based on an asset allocation to satisfy its overall endowment financial and investment objectives, such as to preserve the principal, protect against inflation, receive stable returns and achieve long-term growth. The Fund relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Annual spending from the endowment funds is more fully described in Note 7.

Fair Value: Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 6.

Pension Plans

U.S. GAAP requires an employer to: (a) recognize in its statement of financial position an asset for a plan's overfunded status or a liability for a plan's underfunded status; (b) measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year; and (c) recognize changes in the funded status of a defined benefit plan in the year in which the changes occur. The measurement date for the Fund's defined benefit plan corresponds to the fiscal year end and therefore the Fund is in compliance with the measurement date provisions of U.S. GAAP.

The Fresh Air Fund

Notes to Financial Statements (continued)

2. Summary of Significant Accounting and Financial Reporting Policies (continued)

Land, Buildings and Equipment

The Fund capitalizes land, buildings and equipment at their cost, or appraised value on the date of purchase or contribution, provided their cost or value is at least \$500 and they have estimated useful lives of greater than one year. The Fund capitalizes all costs incurred in connection with construction/renovation of camping facilities. Depreciation is provided (other than land) on a straight-line basis over the estimated useful lives of the related assets. Such lives range from three to 30 years.

Donated Materials, Investments and Services

Donated materials, investments and services are reflected as contributions in the accompanying financial statements at their fair values at the date of receipt. Donated services are recognized as revenue if the services received create or enhance non-financial assets or require specified skills and are provided by individuals possessing those skills and typically need to be purchased if not provided by donation.

The Fund recorded both support and expenses of \$24,750 and \$76,870, for the years ended September 30, 2018 and 2017, respectively, of contributions-in-kind, primarily public service announcements and legal services. In addition, a substantial number of volunteers donated significant amounts of their time to the Fund's program services. No amounts have been reflected in the accompanying financial statements for these donated services as such services do not meet the criteria for recognition under U.S. GAAP.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Program costs and related allocations specific to the Fund's Sharpe Reservation have been updated for the year ended September 30, 2018 in the statement of functional expenses presentation, which have not been done for the previous year.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

The Fresh Air Fund

Notes to Financial Statements (continued)

3. Pledges Receivable

The estimated collection periods for pledges receivable as of September 30, 2018 and 2017 are as follows:

<i>Pledges receivable</i>	2018	2017
Less than one year	\$ 855,550	\$ 640,550
One to five years	660,000	990,550
	1,515,550	1,631,100
Less discount on long-term pledges receivable	(28,720)	(32,875)
	\$ 1,486,830	\$ 1,598,225

Pledges with a collection time frame longer than one year beyond the fiscal year end have been discounted at range of 1.89% to 2.81%, representing the applicable risk adjusted interest rate at the time of the pledge.

4. Investments

Investments consist of the following as of September 30:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Limited partnerships:				
Diversified managed funds	\$ 80,859,079	\$ 96,334,962	\$ 86,930,520	\$ 95,206,818
Equities	-	1,182,627	-	1,466,597
Total limited partnerships	80,859,079	97,517,589	86,930,520	96,673,415
Cash pending investment	2,586,785	2,586,785	2,180,051	2,180,051
	\$ 83,445,864	\$ 100,104,374	\$ 89,110,571	\$ 98,853,466

Investments are subject to market volatility that could change their carrying values substantially in the near term.

The Fund has an agreement with Global Endowment Management (“GEM”) outsourcing the management of the Fund’s investment portfolio to GEM on a discretionary basis. In connection therewith, the Fund liquidated substantially all its marketable securities and provided notice of redemption for all other funds permitting redemptions. Upon receipt, the proceeds of such liquidations and redemptions were transferred to FAF Investments Holdings (“FAF IH”), a limited partnership managed by GEM. In addition, the Fund transferred control of its illiquid limited partnership interests (“legacy portfolio”) which are pooled accounts managed by unaffiliated third parties to FAF IH.

FAF IH offers an endowment-style investment program for the Fund and invests with a long-term horizon, seeking varied investment opportunities in an effort to provide a diversified, single-portfolio investment strategy for the Fund. This strategy is paired with the Fund’s legacy portfolio of investments.

The Fresh Air Fund

Notes to Financial Statements (continued)

4. Investments (continued)

Through FAF IH, the Fund owns interests in certain investments, including limited partnerships, that create indirect exposure to the Fund through short sales of securities, and trading in futures and forward contracts, options, swaps, and other derivatives products. Derivatives are tools used to maintain asset mix or adjust portfolio risk exposure. Each of these financial instruments contains varying degrees of risk whereby changes in the fair value of the securities underlying the financial instruments or the cost of satisfying obligations may exceed the amount recognized in the statements of financial position of the investees.

The Fund also has beneficial interests in certain perpetual trusts administered by third parties (valued at approximately \$2,472,000 and \$2,409,000 at September 30, 2018 and 2017, respectively) that are reflected as such in the accompanying statements of financial position. The underlying assets of the perpetual trusts are invested in mutual funds, publicly traded securities, and other investable assets as determined by the third-party custodians.

Investment return consists of the following for the years ended September 30:

	<u>2018</u>	<u>2017</u>
Investment return:		
Interest and dividends	\$ 656,814	\$ 597,927
Net realized and unrealized gain	<u>7,335,575</u>	<u>9,655,019</u>
	<u>\$ 7,992,389</u>	<u>\$ 10,252,946</u>

5. Buildings and Equipment

As of September 30, 2018, and 2017, buildings and equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Office condominium	\$ 8,574,451	\$ 8,574,451
Camping facilities and equipment	39,798,809	39,410,243
Automobiles and trucks	1,087,649	1,061,328
Office furniture, equipment, etc.	<u>2,201,920</u>	<u>2,025,623</u>
Total depreciable assets	51,662,829	51,071,645
Less accumulated depreciation	<u>(32,073,471)</u>	<u>(30,389,829)</u>
	<u>\$ 19,589,358</u>	<u>\$ 20,681,816</u>

The Fresh Air Fund

Notes to Financial Statements (continued)

6. Fair Value Measurements

In determining fair value, the Fund utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs, to the extent possible in its assessment of fair value. The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

Financial assets carried at fair value at **September 30, 2018**, are classified in the table below as follows:

	<u>Level 1</u>	<u>Level 3</u>	<u>Investments Valued at NAV</u>	<u>Total</u>
Limited partnerships:				
Diversified managed funds	\$ -	\$ -	\$ 96,334,962	\$ 96,334,962
Equities	-	1,182,627	-	1,182,627
Total limited partnerships	-	1,182,627	96,334,962	97,517,589
Cash pending investment	2,586,785	-	-	2,586,785
	<u>\$ 2,586,785</u>	<u>\$ 1,182,627</u>	<u>\$ 96,334,962</u>	<u>\$ 100,104,374</u>

Financial assets carried at fair value at **September 30, 2017**, are classified in the table below as follows:

	<u>Level 1</u>	<u>Level 3</u>	<u>Investments Valued at NAV</u>	<u>Total</u>
Limited partnerships:				
Diversified managed funds	\$ -	\$ -	\$ 95,206,818	\$ 95,206,818
Equities	-	1,466,597	-	1,466,597
Total limited partnerships	-	1,466,597	95,206,818	96,673,415
Cash pending investment	2,180,051	-	-	2,180,051
	<u>\$ 2,180,051</u>	<u>\$ 1,466,597</u>	<u>\$ 95,206,818</u>	<u>\$ 98,853,466</u>

The Fund adopted ASU 2015-07, *Disclosures for Investments in Certain Entities That Calculate NAV*. In accordance with ASU 2015-07, certain investments that are measured at fair value using net asset value (NAV) per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

The Fresh Air Fund

Notes to Financial Statements (continued)

6. Fair Value Measurements (continued)

Investments in corporate equities are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Investments in bonds, closed-end equities mutual funds and certain limited partnerships are valued using quoted prices in inactive markets (Level 2). Level 2 instrument valuations are obtained from similar assets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Limited partnership interests are stated at fair value in an unquoted market. Fair value of these limited partnership interests are based on net asset value per share which are provided by the limited partnerships. Values may be based on historical cost, appraisals, obtainable prices for similar assets, or other estimates. Because of the inherent uncertainty of valuation of the Fund's investments in these partnerships, values for those investments may differ significantly from values that would have been used had a ready market for the investments existed. The financial statements of the investees are audited annually by independent auditors. The Fund can redeem certain of its limited partnership interests in the short-term with required notice being given as stipulated in the partnership agreements and there are no current lock-up provisions on these investments. Based on this, it was determined that the limited partnership interests are considered as Level 3 financial assets as of September 30, 2018 in accordance with ASU 2009-12 (ASC 820), which is described in Note 2.

The reconciliation for the year ended **September 30, 2018**, of the investments measured at estimated fair value classified as Level 3 is as follows:

	<u>Level 3</u>
Balance at September 30, 2017	\$ 1,466,597
Redemptions	(458,240)
Realized and unrealized gain	174,270
Balance at September 30, 2018	<u>\$ 1,182,627</u>

The reconciliation for the year ended **September 30, 2017** of the investments measured at estimated fair value classified as Level 3 is as follows:

	<u>Level 3</u>
Balance at September 30, 2016	\$ 32,174,446
Redemptions	(23,615,697)
Realized and unrealized gain	1,422,184
Transfers	(8,514,336)
Balance at September 30, 2017	<u>\$ 1,466,597</u>

The Fresh Air Fund

Notes to Financial Statements (continued)

7. Permanent and Board-Designated Endowment Funds

The Fund recognizes the New York Prudent Management of Institutional Funds Act (“NYPMIFA”). NYPMIFA created a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted permanent endowment fund’s fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered unrestricted by the donor will be reflected as temporarily restricted until appropriated. The Investment Committee of the Fund’s Board of Directors, under authority of the Executive Committee, has appropriated up to 7% of earnings as of September 30, 2018, whether deemed spent or not, as unrestricted.

Each year a portion of the return on the endowment funds may be used to fund general operating expenditures. The amount of that spending portion will be reviewed annually and the distribution recommended by the Executive Committee will be approved by the Board of Directors.

The Fund’s long-term spending policy rate is 5% of a moving 12-quarter average for the board-designated portion and, in compliance with NYPMIFA, up to 7% of a moving 20-quarter average for the permanently-restricted portion of the investment portfolio market value. The amount appropriated is allocated to the Board-designated endowment fund as needed.

As of September 30, 2018, and 2017, permanently restricted net assets consist of the following:

	<u>2018</u>	<u>2017</u>
Funds for Camping Activities	\$ 3,800,190	\$ 3,800,190
Funds for Friendly Towns Activities	3,369,864	3,369,864
Funds for general purpose	7,460,428	7,396,938
Total permanently restricted net assets	<u>\$ 14,630,482</u>	<u>\$ 14,566,992</u>

In accordance with U.S. GAAP, organizations are required to disclose any deterioration of the fair value of assets associated with donor-restricted endowment funds that fall below the level the donor requires the organization to retain in perpetuity. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Fund to retain as a gift of perpetual duration. In accordance with the Fund’s policy noted above, deficiencies of this nature are reported in either restricted or unrestricted net assets. These deficiencies, if any, result from unfavorable market fluctuations that occur in the economy as a whole, whereby the fair market value of the donor restricted endowment fund is below the amount that is required to be retained permanently. As of September 30, 2018, and 2017, this condition did not exist at the Fund.

The Fresh Air Fund

Notes to Financial Statements (continued)

7. Permanent and Board-Designated Endowment Funds (continued)

The Fund's endowment net assets as of **September 30, 2018**, consist of the following:

	Board <u>Designated</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 14,630,482	\$ 14,630,482
Unappropriated gains	1,852,641	-	1,852,641
Board-designated endowment funds	<u>94,303,340</u>	<u>-</u>	<u>94,303,340</u>
Endowment net assets, end of year	<u>\$ 96,155,981</u>	<u>\$ 14,630,482</u>	<u>\$ 110,786,463</u>

The Fund's endowment net assets as of **September 30, 2017**, consist of the following:

	Board <u>Designated</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 14,566,992	\$ 14,566,992
Unappropriated gains	1,142,464	-	1,142,464
Board-designated endowment funds	<u>90,311,959</u>	<u>-</u>	<u>90,311,959</u>
Endowment net assets, end of year	<u>\$ 91,454,423</u>	<u>\$ 14,566,992</u>	<u>\$ 106,021,415</u>

The unrestricted portion of the donor restricted endowment funds represents the accumulated unrealized gains earned by the original gifts.

Changes in endowment net assets for the year ended **September 30, 2018**, are as follows:

	Board <u>Designated</u>	Permanently <u>Restricted</u>	<u>Total</u>
Investment activity:			
Unrealized gain on investments	\$ 6,761,845	\$ 62,990	\$ 6,824,835
Realized gain on investments	<u>558,362</u>	<u>-</u>	<u>558,362</u>
Total investment activity	<u>7,320,207</u>	<u>62,990</u>	<u>7,383,197</u>
Contributions	2,798,974	500	2,799,474
Amount appropriated for expenditure	<u>(5,495,113)</u>	<u>-</u>	<u>(5,495,113)</u>
	<u>(2,696,139)</u>	<u>500</u>	<u>(2,695,639)</u>
Change in endowment net assets	4,624,068	63,490	4,687,558
Endowment net assets, beginning of year	91,454,423	14,566,992	106,021,415
Pension changes other than net periodic costs	<u>77,490</u>	<u>-</u>	<u>77,490</u>
Endowment net assets, end of year	<u>\$ 96,155,981</u>	<u>\$ 14,630,482</u>	<u>\$ 110,786,463</u>

The Fresh Air Fund

Notes to Financial Statements (continued)

7. Permanent and Board-Designated Endowment Funds (continued)

Changes in endowment net assets for year ended **September 30, 2017**, are as follows:

	Board <u>Designated</u>	Permanently <u>Restricted</u>	<u>Total</u>
Investment activity:			
Unrealized gain on investments	\$ 2,423,599	\$ 137,520	\$ 2,561,119
Realized gain on investments	<u>6,769,458</u>	<u>-</u>	<u>6,769,458</u>
Total investment activity	<u>9,193,057</u>	<u>137,520</u>	<u>9,330,577</u>
Contributions	2,659,916	58,156	2,718,072
Amount appropriated for expenditure	<u>(8,333,897)</u>	<u>-</u>	<u>(8,333,897)</u>
	<u>(5,673,981)</u>	<u>58,156</u>	<u>(5,615,825)</u>
Change in endowment net assets	3,519,076	195,676	3,714,752
Endowment net assets, beginning of year	86,726,443	14,371,316	101,097,759
Pension changes other than net periodic costs	<u>1,208,904</u>	<u>-</u>	<u>1,208,904</u>
Endowment net assets, end of year	<u>\$ 91,454,423</u>	<u>\$ 14,566,992</u>	<u>\$ 106,021,415</u>

Endowment net assets of \$110,786,463 and \$106,021,415 are included in investments, cash and cash equivalents, receivables, other assets and beneficial interests in perpetual trusts in the statements of financial position as of September 30, 2018 and 2017, respectively.

8. Temporarily Restricted Net Assets

As of September 30, 2018, and 2017, temporarily restricted net assets are available for the following purposes upon passage of time or fulfillment of donor-imposed stipulations:

	<u>2018</u>	<u>2017</u>
College Connections Program	<u>\$ 1,356,466</u>	\$ 1,367,126
Other purpose-restricted assets	<u>190,014</u>	319,714
Other time-restricted assets	<u>493,080</u>	324,011
	<u>\$ 2,039,560</u>	<u>\$ 2,010,851</u>

Temporarily restricted net assets were released from restrictions during the years ended September 30, 2018 and 2017 upon passage of time or fulfillment of purposes as follows:

	<u>2018</u>	<u>2017</u>
Purpose-restricted assets	<u>\$ 377,954</u>	\$ 164,150
Time-restricted assets	<u>250,000</u>	436,000
	<u>\$ 627,954</u>	<u>\$ 600,150</u>

The Fresh Air Fund

Notes to Financial Statements (continued)

9. Pension Plans

The Fund sponsors a noncontributory defined benefit pension plan (the “Plan”) which provides retirement and death benefits for substantially all full-time employees based on years of service and compensation level. The Plan’s assets are invested in equity mutual funds and guaranteed insurance contracts. Effective February 1, 2011, the Plan was amended to update the accrued benefits as of that date to a percentage of the current five-year average salary multiplied by years of service.

The following tables present the Plan’s related disclosures under U.S. GAAP. The Plan’s actuary performed the computations required for financial statement disclosure as of September 30, 2018 and 2017. Employee data as of October 1, 2017 and 2016 was projected forward to the September 30, 2018 and 2017 measurement dates, respectively.

The following table provides a reconciliation of the changes in the Plan’s benefit obligations and a statement of the funded status of the Plan as of September 30, 2018 and 2017:

	2018	2017
Change in benefit obligation:		
Benefit obligation - beginning of year	\$ 16,317,143	\$ 16,207,694
Service cost	436,882	447,348
Interest cost	677,922	674,308
Actuarial gain	(179,271)	(278,426)
Benefits paid	(744,946)	(733,781)
Benefit obligation - end of year	\$ 16,507,730	\$ 16,317,143
 Change in plan assets:		
Fair value of plan assets - beginning of year	\$ 16,682,899	\$ 15,048,468
Actual return	866,573	1,768,212
Employer contribution	600,000	600,000
Benefits paid	(744,946)	(733,781)
Fair value of plan assets - end of year	\$ 17,404,526	\$ 16,682,899
 Funded status	\$ 896,796	\$ 365,756
 Accumulated benefit obligation	\$ 15,741,843	\$ 15,635,325

The amounts reflected in the funded status in the above table are included in prepaid expenses in the accompanying statements of financial position.

The Fresh Air Fund

Notes to Financial Statements (continued)

9. Pension Plans (continued)

The following table provides the components of net periodic benefit cost for the plan for the years ended September 30, 2018 and 2017:

	2018	2017
Service cost	\$ 436,882	\$ 447,348
Interest cost	677,922	674,308
Expected return on plan assets	(1,164,930)	(1,125,513)
Amortization of accumulated loss	95,098	176,094
Amortization of prior service cost	101,478	111,685
Net periodic cost	\$ 146,450	\$ 283,922

Amounts that have not been recognized as components of net periodic benefits costs but included in unrestricted net assets to date as the effect of adoption of U.S. GAAP revisions are as follows:

	2018	2017
Net actuarial loss	\$ 3,269,957	\$ 3,245,969
Prior service cost	581,696	683,174
Net amounts recognized in unrestricted net assets	\$ 3,851,653	\$ 3,929,143

Other changes in plan assets and benefit obligations recognized in the unrestricted net assets for the years ended September 30, 2018 and 2017 are as follows:

	2018	2017
Net (Loss)/Gain	\$ (119,086)	\$ 921,125
Amortization of accumulated loss	95,098	176,094
Amortization of prior service cost	101,478	111,685
Net amount recognized in change in unrestricted net assets	\$ 77,490	\$ 1,208,904

The net periodic costs for the years ended September 30, 2018 and 2017 include reclassifications of amounts previously recognized as changes in unrestricted net assets and are as follows:

	2018	2017
Prior service cost	\$ 101,478	\$ 111,685

As of September 30, 2018, and 2017, the weighted average assumptions used to determine benefit obligations are as follows:

	2018	2017
Discount rate	4.50%	4.25%
Rate of compensation increase	3.00%	3.00%

The Fresh Air Fund

Notes to Financial Statements (continued)

9. Pension Plans (continued)

The weighted average assumptions used to determine net periodic benefit cost for the years ended September 30, 2018 and 2017 consist of the following:

	2018	2017
Discount rate	4.50%	4.25%
Expected return on plan assets	7.00%	7.50%
Rate of compensation increase	3.00%	3.00%

The weighted average asset allocation of the Plan at September 30, 2018 and 2017 is as follows:

	2018	2017
Equity mutual funds	48.9%	44.4%
Guaranteed-rate insurance contracts	51.1%	55.6%

The Fund's investment policy for the Plan is to maintain the investments in the equity mutual funds and the guaranteed insurance contracts existing at September 30, 2018 and to invest future contributions in the equity mutual funds. The expected long-term rate of return on plan assets of 7.50% was selected based on historical returns on invested assets and expectations for future returns. While the returns on the guaranteed insurance contract have declined, it is expected that the investment of the future contributions in equity securities will allow the Plan to achieve the 7.00% expected long-term rate of return.

The following benefits which reflect expected future service, as appropriate, are expected to be paid:

Year ending September 30:	
2019	\$ 797,000
2020	798,000
2021	799,000
2022	794,000
2023	826,000
2024-2028	4,209,000

The Fund expects to contribute approximately \$600,000 to the Plan for the year ending September 30, 2019.

Pension plan assets carried at fair value at **September 30, 2018**, are classified in the table below as follows:

	Level 1	Level 3	Total
Equity mutual funds	\$ 8,510,215	\$ -	\$ 8,510,215
Guaranteed-rate insurance contracts	-	8,894,311	8,894,311
	\$ 8,510,215	\$ 8,894,311	\$ 17,404,526

The Fresh Air Fund

Notes to Financial Statements (continued)

9. Pension Plans (continued)

Pension plan assets carried at fair value at **September 30, 2017**, are classified in the table below as follows:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Equity mutual funds	\$ 7,408,679	\$ -	\$ 7,408,679
Guaranteed-rate insurance contracts	-	9,274,220	9,274,220
	\$ 7,408,679	\$ 9,274,220	\$ 16,682,899

The reconciliation for the years ended September 30, 2018 and 2017 of the investments measured at estimated fair value classified as Level 3 follows:

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	\$ 9,274,220	\$ 7,400,850
Contributions	-	2,250,000
Realized and unrealized gain	375,801	383,702
Withdrawals for benefits and expenses	(755,710)	(760,332)
Balance at end of year	\$ 8,894,311	\$ 9,274,220

Pension plan investments in equity mutual funds are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Investments in fixed dollar guaranteed-rate insurance contracts are valued by the asset custodians, New York Life Investment Management, using prices in inactive markets (Level 3). Level 3 valuations based on unobservable inputs are used when little or no market data is available.

The Fund also sponsors a defined contribution plan. The Fund makes contributions to the plan in the amount of 4% of eligible compensation for all employees with one or more years of credited service. Employees may also make voluntary before-tax contributions to the plan. The Fund contributed \$137,476 and \$126,799 for the years ended September 30, 2018 and 2017, respectively.

10. Concentrations

Cash and cash equivalents that potentially subject the Fund to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Bank accounts are insured up to \$250,000 per depositor. As of September 30, 2018, and 2017 there was approximately \$4.5 million and \$1.9 million, respectively, of cash and cash equivalents held by the banks that exceeded FDIC limits. Such excess includes outstanding checks.

The Fresh Air Fund

Notes to Financial Statements (continued)

11. Commitments and Contingencies

There are various lawsuits and threatened actions against the Fund, arising out of accidents to children and other matters, some of which claim substantial amounts of damages. In the opinion of the Fund's management, these lawsuits are either without merit, or are covered by insurance, and will not result in any material adverse effect on the financial position or changes in net assets of the Fund as of September 30, 2018.

In accordance with Accounting Standards Codification ("ASC") Topic 740, "Income Taxes", which provides standards for establishing and classifying any tax provisions for uncertain tax positions, the Fund has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

12. Subsequent Events

Management has evaluated events subsequent to the date of the statement of financial position through January 10, 2019, the date the financial statements were available to be issued.

END