

The Gerber Foundation

“Enhancing the quality of life of infants and young children.”

2018 Annual Report



FOUNDATION
ESTABLISHED
1952



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INTRODUCTION

The Gerber Foundation was established in 1952 as the Gerber Baby Foods Fund by Daniel Gerber, Sr. and Gerber Products Company, and provided \$14,700 in support to various organizations in that first year. While the Gerber name may imply a strict interest in infant nutrition, our commitment is to a much broader range of activities significantly impacting issues facing infants and young children.

The mission of the Foundation – to enhance the quality of life of infants and young children in nutrition, care, and development – remains the guiding beacon for Foundation giving. Accordingly, priority is given to US research projects whose primary beneficiaries are young children from birth to three years of age. We are particularly interested in research that could

provide clinically useful insights and lead to positive changes in the pediatrician’s day-to-day practice.

As of the end of 2018, the Foundation has awarded nearly \$116 million in grants to individuals and institutions throughout the world. While the Foundation maintains a small grant program that reflects our ongoing commitment to West Michigan communities, the vast majority of the Foundation’s grant dollars are distributed on a competitive basis for national research focused on pediatric health and/or nutrition concerns, including the effects of environmental hazards on the well-being of infants and young children. Through our grant-making efforts, we are committed to improving the health and well-being of the youngest members of our society.



**THE GERBER FOUNDATION
BOARD OF DIRECTORS**

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*“We must not ignore the small daily differences we can make which, over time, add up to big differences.”
Marian Wright Edelman*

As Marian Wright Edelman, the renowned civil rights attorney and child advocate, notes “small daily differences ...overtime, add up to big differences.” Many times, seemingly small incremental changes can result in vast improvements in care for infants and children.

The Gerber Foundation endeavors to identify and fund innovative projects that will create these small incremental changes for improving overall care. To this end, projects must be innovative and creative but also relevant or useful in everyday practice.

While the Gerber Foundation may provide the funding for these innovative projects, we know that the passion to carry these endeavors forward comes from the researchers we support. We are appreciative of the passion that these researchers demonstrate to carry out their projects and to move the ideas forward into practice.

In 2018, research funded by the Foundation continued to support a variety of areas from new diagnostic tools to therapies.

A new diagnostic or screening tool can help to identify children in need of care or avoid needless therapy in those who won't benefit. Several projects related to the development of better diagnostic tools or risk factors:

- Identifying risk of cancer among families with breast cancer gene mutations.
- Detecting ear infections from nasopharyngeal swabs.
- Body composition measurements to assess nutritional status.
- Screening test for intestinal permeability that may increase the risk of necrotizing enterocolitis.
- A pancreatic lipase related protein as a risk factor for failure to thrive
- Benefits of pulmonary function testing prior to surgery for congenital heart defects
- Discovering the risk for sudden unexpected death in epilepsy for pediatric patients with Dravet Syndrome (a rare form of epilepsy in infants)

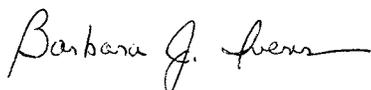
Another group of four projects focused on therapeutic techniques:

- Vitamin A and D supplements to improve vaccine success.
- Optimal strategy for renal replacement therapy.
- Ventilatory instability and the impact of arterial oxygen saturation
- Comparison of stress ulcer prophylaxis treatments in critically ill infants.

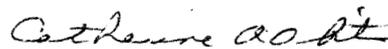
A unique grant was provided to Cochrane Neonatal to synthesize published research on preterm infant nutrition. (Cochrane Neonatal, based at the University of Vermont, is a non-profit organization that synthesizes results from randomized, controlled clinical trials.)

Finally, one project aimed at reducing x-ray imaging overuse in hospitalized children.

Featured in this report are three projects funded in prior years. These projects focused on infant lung disease, targeted fortification of human milk to improve growth in premature infants, and evaluating the appropriateness of the amino acid supplement added to parenteral nutrition for premature infants.



Barbara J. Ivens
Board President



Catherine A. Obits
Program Director

NATIONAL GRANTS

Boston Children’s Hospital (Kimberly Mills, MD) Boston, MA Stress Ulcer Prophylaxis versus Placebo – a Blinded Randomized Control Trial to Evaluate the Safety of Two Strategies in Critically Ill Infants with Congenital Heart Disease (SUPPRESS-CHD)	\$318,921
Brigham and Women’s Hospital (Katherine Bell, MD) Boston, MA Body composition analysis: A useful tool for assessing nutritional status in premature infants?	\$20,000
Children’s Hospital Medical Center (Alexander Vinks, PharmD, PhD) Cincinnati, OH Electronic Health Record (EHR)-embedded Decision Support Platform for Individualized Precision Drug Treatment in Neonates	\$324,998
Children’s Hospital Medical Center (Sanyukta Desai, MD, MS) Cincinnati, OH Imaging Gently: Identifying Opportunities to Reduce Imaging Overuse in Hospitalized Children	\$20,000
Cochrane Neonatal/University of Vermont (Roger Soll, MD) Burlington, VT Evidence synthesis for preterm infant nutrition	\$262,562
Denver Health Foundation (Holly Frost, MD) Denver, CO The NO TEARS study: Using Nasopharyngeal Organism Testing to determine outcomes of children with EAR infections.	\$349,380
Northwestern University (Leena Mithal, MSc, MD) Chicago, IL Biomarker Signatures for Diagnosis of Neonatal Sepsis in Umbilical Cord Blood	\$328,924
Oregon Health & Science University (Hayden Leeds, BS) Portland, OR Assessment of Pulmonary Function Tests in Infants with Congenital Heart Disease	\$19,979
St Jude Children’s Research Hospital (Julia Hurwitz, PhD) Memphis, TN Influence of vitamin A and D supplements on the success of the pneumococcus conjugate vaccine in children (PCVIT)	\$247,500

<p>University of Maryland (Bing Ma, MS, PhD) College Park, MD An accurate, non-invasive discriminatory screening test for rapid detection of elevated intestinal permeability in preterm infants at risk for necrotizing enterocolitis (NEC)</p>	\$332,151
<p>University of Miami (Waleed Kurtom, MD) Miami, FL Impact of arterial oxygen saturation on ventilatory instability in extremely premature infants</p>	\$19,987
<p>University of Michigan (Elizabeth Ames, MD) Ann Arbor, MI Optimal strategy for renal replacement therapy in newborns with hyperammonemia due to inborn errors of metabolism</p>	\$20,000
<p>University of Michigan (Lori Isom, PhD) Ann Arbor, MI Discovering mechanisms of SCN1B-linked pediatric Dravet syndrome with high risk of Sudden Unexpected Death in Epilepsy (SUDEP)</p>	\$350,000
<p>University of Pennsylvania (Kevin Nead, MPhil, MD) Philadelphia, PA Risk of cancer in children among families known to carry BRCA1/2 mutations</p>	\$19,957
<p>Washington University (Xunjun Xiao, PhD) St. Louis, MO Pancreatic Lipase Related Protein 2 W340Δ Polymorphism as a Risk Factor for Failure to Thrive in Infants</p>	\$284,426
TOTAL NATIONAL GRANTS AWARDED:	\$2,918,785



“Enhancing the quality of life of infants and young children.”

Researcher: Amy B Hair, MD, Neonatologist and Program Director of Neonatal Nutrition
Institution: Texas Children's Hospital
Funded Study: *Targeted Fortification of Milk to Improve the Growth of Premature Infants*

Study aims to improve growth in vulnerable premature babies receiving mother's milk

Breastfeeding is well-known as the best source of nutrition for virtually all babies. And mother's milk is proving to be even more necessary for the most vulnerable babies - those born premature.

Yet premature infants admitted to a hospital neonatal intensive care unit (NICU) are often away from their mothers, which can be a significant challenge to providing mother's milk and beginning breastfeeding.

That's why the smallest babies at Texas Children's Hospital's NICU are fed an all human milk-based diet, Dr. Amy Hair, the hospital's program director of neonatal nutrition, says. Mother's milk is used when it's available. When mother's milk is not available, babies receive pasteurized donor human milk, which became widely available in the United States about 10 years ago.

To meet the high nutritional needs of extremely premature babies, Dr. Hair says a human milk-based fortifier is added. Even the smallest babies tolerate this diet well but, during her work in the NICU, Dr. Hair wondered if adding even more protein to these babies' diets would boost their growth and body composition.

She approached the Gerber Foundation in 2016 for funding to evaluate the effects of a standard versus high protein diet - called targeted fortification - in infants who weigh less than 1000 grams at birth.

"I am so very grateful to the Gerber Foundation for their interest in my work, which I think can have a huge impact on infant nutrition," she said.

Many innovations have improved the care of extremely premature infants, but Dr. Hair said poor growth during the hospital stays remains a challenge, often affecting neurodevelopment and growth outcomes later in life.

Nearly 10 percent of the 4 million births each year in the United States are premature. Data from the federal Centers

for Disease Control in 2016 showed more than 20,500 live births of babies weighing between 500 and 999 grams, with an additional 5,500 babies weighing less than 500 grams.

In 2005, the annual medical, educational, and lost productivity costs associated with preterm birth in the United States was at least \$26.2 billion.

Much of the cost does not show up until later in these infants' lives, Dr. Hair says. Preterm birth is a leading cause of long-term neurological disabilities. However, rapid early growth has been associated with increased risks of metabolic and cardiovascular diseases as adults.

Innovations in the care of extremely premature babies have improved morbidity and mortality, but poor postnatal growth remains a challenge, Dr. Hair added.

Neonatal nutrition is just now coming into the forefront of neonatal care. The initial work of a NICU was to keep the baby alive, Dr. Hair said. Now "nutrition is recognized as vital for care for the premature baby, and for improving outcomes for the rest of their lives."

"We want to provide safe, adequate nutrition that optimizes body composition while avoiding health risks down the road," she said.

Current practice is to use a range of protein to feed the smallest babies. Dr. Hair's research is more closely studying these ranges by dividing them into two groups - standard protein and high protein - to learn if higher protein diets make positive changes in the baby's length and in body composition - the amount of fat and fat-free mass in the body.

Babies are randomly assigned to one of these two groups. Infants in the standard protein group receive 3.5-3.8 grams of protein per kilogram of body weight, while those in the high protein group receive 4.2-4.5 grams of protein per kilogram of body weight.

Throughout the study period, the human milk fed to the infant - either mother's milk or pasteurized donor milk - is analyzed using a human milk analyzer. This analyzer reports the amount of energy, protein and fat in the milk. Depending on the amount of protein in the milk, a custom recipe is created to provide additional nutrition and meet the targeted grams of protein per kilogram of body weight. This is done every day until the baby is 35-36 weeks postmenstrual age. A preterm infant born at a gestational age of 26 weeks who is now 10 weeks old would have a postmenstrual age of 36 weeks.

Blood levels are checked twice during the study to see how the baby is tolerating the protein in the diet and once to look at the infant's bone health. The first blood test comes 2-3 days after the baby is receiving the goal amount of protein and again one week after. Growth is monitored with daily measurements of weight and weekly measurements of length and head circumference. At 35-36 weeks postmenstrual age, babies are given a test called Dual-energy X-ray absorptiometry (DXA). This test is similar to an x-ray but gives a better picture of the infant's bones, fat and fat-free mass.

From the nutrition side, the goal is to improve their care safely, providing for their growth while optimizing their health outcomes.

"It's a balance, what we do for them medically and, now, nutritionally, both for the time when they're with us in the NICU, and for when they go home," Dr. Hair said.

When pasteurized donor milk and an all human milk-based diet became available, "we had a new way to optimize nutrition

for preemies," she said. At the same time, new technology tools – such as the DXA - came along.

"With DXA, we can tell whether the bones are well mineralized," she said. "This is vital", she added, "Because at 24 to 25 weeks gestation, babies have not yet received mineral nutrients from their mother, which comes later in pregnancy."

Dr. Hair believes she began working in the NICU at the ideal junction of advances in human milk and new technology designed to monitor a baby's nutritional growth.

"I had the perfect place to watch babies as those two factors came together. I could see that babies seemed to be doing rather well nutritionally with an all human-milk based diet.

"We used to 'overfeed' our preemies – to give them extra fat as part of their treatment protocol," she explained, but along the way researchers came to realize "that might not actually be the best thing to do."

Today, with years of observational studies following the first premature babies to be fed all human-based mother's milk, "we are seeing that these babies are longer, leaner, more muscular, with stronger bones," Dr. Hair said.

She believes her study into optimizing the early needs of nutrition and protein for the tiniest of the preemies can help to start them on a path of good nutrition for a lifetime.

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Researcher: Lawrence Prince, MD, PhD, Division Chief of Neonatology and Professor of Pediatrics
Institution: University of California, San Diego
Funded Study: *Machine Learning Approaches for Discovering Molecular Basis of Neonatal Lung Disease*

Computer modeling could lead to new treatment for common infant lung disease

The images can be heartrending – small, fragile premature babies connected to breathing tubes and other monitors.

Though not apparent, there is good reason for the tangle of equipment. Preterm infants have undeveloped lungs, “perhaps their greatest early challenge,” which is why they are so sick and complex to treat, says Dr. Lawrence Prince, division chief of neonatology and professor of pediatrics at the University of California San Diego and Rady Children’s Hospital, San Diego.

Undeveloped lungs in preterm infants play a role in the onset of the lung disease bronchopulmonary dysplasia, or BPD. The disease seems to occur most frequently when the infant experiences inflammation that can occur from such problems as ventilator injuries, postnatal sepsis, or other issues.

Approximately 10,000 preterm infants develop BPD each year in the United States, making it one of their most common serious diseases. Sadly, prevalence and treatment for the disease has not changed in decades, and the typical treatment can potentially lead to other long-term complications, Dr. Prince noted, such as asthma and other chronic lung issues.

“I have always believed that if we could find ways to help the premature infant’s lungs develop normally, at the molecular level, it could help us develop therapies that will benefit these infants as they go through life,” he said.

His research begins with the collection of individual samples of fluid from the lungs of each preterm baby, starting the first day of life and every day the baby is in the NICU. Babies with breathing tubes are also routinely suctioned to collect the cell-containing fluid. These cells, called macrophages, are a type of white blood cell that engulfs and digests cellular debris, foreign substances, microbes and anything else that does not belong in the lungs.

At times, macrophages can work a little too well, Dr. Prince noted, leading to an overzealous inflammatory response that can actually cause a range of BPD severity. Yet roughly half of preterm infants do not develop BPD, a key factor in his work.

Over the years, Dr. Prince has constructed a vast set of genetic data from more than 200 lung macrophage samples obtained from over 100 patients. And while he has been able to demonstrate that inflammatory genes early in life correlates with BPD severity, the sheer volume and diversity of the data, which includes clinical data for each patient, ruled out routine analysis for understanding the complex processes that result in development of lung disease.

“We realized we needed to bring in computers and algorithms - a ‘big data analytics approach’ - to model how systems work and to better map the complex connections between the gene expression and the clinical outcomes,” he said. “My Excel spreadsheets and white board just wouldn’t work,” he added, laughing.

Machine Learning Enters Health Care

What Dr. Prince has in mind is a blend of science and technology, “and a bit of art,” to study specific cells in babies who do, and do not, develop BPD. He talked with colleagues about the best ways to map the relationship between gene expression and the onset of lung disease.

One colleague suggested something akin to the Netflix model, “a matrix completion, testing for values, looking for patterns,” somewhat like Netflix does to predict movies or shows we may want to see based on our earlier behavior.

This led to a collaboration with Dr. Karsten Zengler, whose computer science research group is now helping to map patterns and connections within the molecular and clinical data. Other investigators are lending expertise in clinical neonatology, lung development, immunology, and systems biology.

Dr. Prince believes the analysis will demonstrate that lung macrophage gene expression in extremely preterm infants can predict which babies are most likely to develop BPD. It is possible, he added, that how macrophage gene expression changes over time actually determines whether a patient improves or develops BPD.



A big question was whether any genes were “turned on or off” at the time of the sampling and the gene’s response to an introduced bacteria. That means it is important to learn the immune state of the baby at points in time, the genomic response to bacteria, and whether the response changes over time.

And what can the genes of preterm infants who do not develop BPD tell us? “These babies have a dramatic change in gene expression, a better genetic pattern of disease protection,” Dr. Prince said. “So, how can we mimic that? What genes come on, and in what sequence, in babies that do well?”

How cells respond to specific clinical events, such as pneumonia or the use of oxygen, the “causal data,” Dr. Prince said, also will help researchers understand why some babies get better and don’t develop BPD.

Ultimately, Dr. Prince said he hopes the machine learning analyses will discover important gene expression patterns and networks that predict disease outcomes. “This is what we want, what we are after in a therapies approach,” he said. The gene profiling could also uncover biomarkers that could be tapped for personalized treatments.

For its help in building and analyzing the intriguing and complex data sets, what Dr. Prince calls a “truly unique and novel approach in neonatal health care research,” he said he is most indebted to the Gerber Foundation.

“We are building the first learning tools. The Gerber Foundation’s support and backing is really responsible for getting us this far, and we are most grateful.”

Applicant: De-Ann Pillers, MD, Professor of Pediatrics

Institution: University of Illinois, Chicago (study initiated at University of Wisconsin, Madison)

Project Title: *Optimizing Intravenous Protein Nutrition in Premature Infants Using Urine Metabolomics*

Secret to ideal preterm infant nutrition may be hidden in their diapers

When does too much of a good thing become less than the best thing?

For Dr. De-Ann Pillers, one answer to that brainteaser may be found in the diapers of preterm infants, specifically in the baby's urine.

"Urine has been used in the past to look at many health issues," Dr. Pillers said, "such as diabetes and digestion. Doctors today often look to a baby's urine to better and more quickly diagnose a number of health issues that occur in newborns."

What interests Dr. Pillers is the protein excreted from the kidneys into the urine. The aim of her Gerber-funded study, with co-investigators Dr. Douglas Weibel and Dr. Katie Brenner, is to determine the ideal make-up of an amino acid supplement specifically for use with preterm infants.

"It is wonderful to have the backing of the Gerber Foundation, with their well-known support for understanding infant nutrition, for our work," Dr. Pillers said.

"Nutrition is exceedingly important for these little babies," she said, "both for helping their development in the neonatal intensive care unit, and also supporting them when they are ready to leave the NICU. With adequate nutrition, their bodies can grow bigger and stronger, their lungs develop better, and they are leaving our NICUs much healthier."

Preterm infants receive their nutrition intravenously in their first days of life. These feedings contain a variety of components, including carbohydrates, protein, fats, and vitamins/minerals. But the "formula" for these amino acid supplements was developed in the 1970-80s, leading Dr. Pillers to question if it is a healthy fit for today's premature infant population.

"A viable premature infant today can be born earlier in a pregnancy, and their metabolism and the maturity of their kidneys likely differ from the premature infant of nearly 50 years ago," she said.

While advances in neonatal nutrition indicate that protein should be provided in much greater quantities, Dr. Pillers questions whether the current practice of simply doubling amino acids is safe and appropriate, or whether a new approach and amino acid formula is needed.

Her team is taking what she calls a simple "black box" approach to assessing metabolism: What goes in (A) equals what is used (B)

and what is wasted (C): $A=B+C$. "By comparing administration versus waste for each of the amino acids, we want to understand/develop an ideal amino acid formula for premature infants," Dr. Pillers said.

The study began by establishing an amino acid nutrition baseline from the babies' medical records, noting any medications or infections and correlating the information with growth outcomes of weight and head circumference at two weeks after birth and at 36 weeks postmenstrual age.

Then urine samples from disposable diapers from 400 preterm infants collected over the first three days of life are tested to determine patterns of excreted amino acids.

Researchers were able to quantify the presence of all 20 amino acids found in protein, or their derivatives, in the urine. They also identified key amino acids that are present in excess in the urine, or not at all, suggesting "that they are being provided in quantities greater than the infant's needs or, in some cases, in insufficient quantities to assure appropriate growth," Dr. Pillers said.

As the study progresses – the team is now analyzing the nutritional data from infant medical records - Dr. Pillers is pleased to note that her assumptions for testing urine are valid.

"Amino acids are present in the urine. We can see that. And we can see that toxic metabolites are present in the urine, some of which are only in babies who received amino acid supplements."

When foreign substances enter the body and are absorbed into the bloodstream, the liver is responsible for breaking them down into metabolites, which can then be excreted in the urine. But when some substances are metabolized, the resulting metabolites are toxic to the body and can be harmful.

Since the relative abundance, or absence, of an amino acid likely predicts whether it is present in the right quantities to promote optimal growth, Dr. Pillers said she believes her team is on the right track to one day offering an amino acid formula for supplementation that is best suited to meet the individual nutritional needs of today's preterm infant.

And confirming, along the way, that sometimes too much of a good thing may not be the best thing.

NATIONAL RESEARCH GRANT GUIDELINES

FOUNDATION GOALS

The Foundation's mission focuses on infants and young children. Accordingly, priority is given to projects that improve the nutrition, care and development of infants and young children from the first year before birth to three years of age.

The Foundation is particularly interested in fresh approaches to solving common, everyday problems or emerging issues within our defined program areas. Projects should be focused on issues faced by care providers that, when implemented, will improve the health, nutrition and/or developmental outcomes for infants and young children. Projects may include research on etiologic mechanisms, diagnostic procedures, reduction of side effects or symptoms, therapies or treatment, dosing (under or over) for drugs, nutrients or other therapeutics, or preventative measures. Projects may be focused on small incremental changes with defined outcome parameters.

The Foundation gives priority to projects of national or regional impact. Foundation support is not typically ongoing. Project outcomes should be of sufficient impact, if successful, to generate long-term support from other sources.

PRIMARY INTERESTS

The Foundation has three primary categories of interest in its national grant-making program:

Pediatric Nutrition. These projects respond to a long-time interest of the Foundation in assuring adequate nutrition for infants and young children. Projects include applied research that evaluates the provision of specific nutrients and their related outcomes in infants and young children.



Pediatric Health. Projects in this category respond to the Foundation's interest in promoting health and preventing disease. We are especially interested in applied research focused on preventing serious neonatal and early childhood illnesses, and on preventing the development of serious, chronic illnesses later in life. We also welcome research that evaluates or improves cognitive functioning in infants and young children, or the social and emotional aspects of development.

Environmental Hazards. Finally, we are interested in research that evaluates the effects of environmental hazards on infants and young children and, ultimately, promotes children's health and well-being. Projects might include applied research that documents the impact of, or ameliorates the effect of, environmental hazards on the development of infants and young children.

WHAT WE DO NOT FUND

While we endeavor to maintain a high degree of flexibility in our programming, we do observe several practical limitations. We do not make

grants or loans to individuals. Outside the West Michigan area, we do not support capital campaigns, operating support, event sponsorship, exclusive food or baby products giveaway programs, national child welfare programs, international based programs, or product testing for commercialization purposes.

WHO CAN APPLY

Organizations recognized as tax-exempt under Internal Revenue Code 501(c)(3) or a federal, state or municipal unit exempt from federal, state and local taxes are eligible to apply for Foundation grants. Organizations must also be determined not to be private foundations under Internal Revenue Code 509. No grants are made to individuals.

With few exceptions, only organizations with principal operations in the United States and its territories are eligible for funding. Within the United States, there is no geographic limitation to the Foundation's grant-making.

FUNDING LIMITATIONS

Projects requiring small grants (generally under \$50,000) are typically local in scope and impact, and therefore may not be within the scope of national funding initiatives, with the exception of Novice grants made to young investigators. Novice research grants are limited to \$20,000 and all other research grants are limited to \$350,000 over a maximum 3-year period. The researcher should clearly describe the impact Foundation dollars will have on the course of the project.

In some cases, projects are best funded by multiple funders to provide evidence of broad acceptance of the project concept or potential outcome. At other times, the role of single project donor is appropriate. In either instance, you should make the case for your funding plan.

HOW TO APPLY

Step One: Review Foundation interests and limitations above. In all of our grant-making, the Foundation is particularly interested in fresh approaches to solving common, everyday problems in our defined program areas, approaches that, if proven successful, can generate long-term support from other sources, research and interventions that promote the health and well-being of infants and toddlers up to the age of three, and approaches and activities that lead to systemic change. We welcome and encourage contact from researchers at any time.

Step Two: Review general application guidelines and procedures. General application guidelines and procedures can be found under the "Pediatric Research" tab on our website (www.gerberfoundation.org).



Step Three: Submit a letter of inquiry/concept paper.

The concept paper should outline the hypotheses to be examined, the methods to be used, and the type of result to be anticipated. A cover letter should provide information on the researcher and the organization. Submission is through our online system at <https://gerberfoundation.smartsimple.com>. The letter enables the Foundation staff and Trustees to determine the relevance of the proposed project to the Foundation's interests. Concept papers are due May and November 15th of each year.

Step Four: Submit full proposal.

If the concept paper is accepted, the full proposal will be submitted online. Proposal deadlines are February and August 15 of each year.

REVIEW PROCESS

Organizations seeking grants should begin the application process at least six months before the start of the proposed grant period. Concept papers are initially reviewed by program staff and select Trustees. If recommended for a full proposal, the full proposal is subject to review and approval under guidelines established by the Foundation's Board of Trustees.

Grant awards are approved within 6 months, by the end of November or May.

CONTACTING THE FOUNDATION

For questions, contact the Program Manager, Catherine Obits in writing at 4747 West 48th Street, Suite 153, Fremont, Michigan 49412-8119. You may phone us at (231) 924-3175. Our fax number is (231) 924-7906, and our email address is tgf@gerberfoundation.org

APPLICATION PROCEDURES

Full Proposal Format

The Full Proposal provides an in depth description of the project, enabling the Foundation to assess the scientific merit and quality of the research. Both lay and medical professionals will review the proposal. Medical jargon should be limited, where feasible. (Please use lay terminology).

The proposal includes the following information: Each heading here refers to a tab in the application system.

PROJECT INFORMATION

1. Covering letter, signed by a senior administrative official of the applying organization, briefly describing the applicant organization and endorsing the project. Note: this carries over from the concept paper but you have the option to delete it and upload a new one if you wish
2. Synopsis/abstract of the proposal, including hypotheses, methods, and expected outcomes
3. Planned target enrollment by year and by group
4. Study design (randomized, observational, proof of concept, etc)
4. Hypothesis(es) and objective(s)
5. Uploaded proposal narrative (Limit 15 pages, double spaced in pdf format). This is the main source of proposal information and should include:
 - Goals, objectives, and methods to be used
 - Size of the population to be studied in terms of age, gender, ethnicity, the source of subjects, and the recruitment process
 - Description of evaluation measures in place or planned to assess project results and outcomes
 - Expected impact of the project nationally or regionally, potential for project replication or ways in which the project responds to the Foundation's preference for broad impact projects
6. Uploaded schedule/timeline of events (in pdf format). Include time periods for achieving enrollment targets of 25%, 50%, 75% and 100%
7. Outcomes/measures to be used
8. Plan for acknowledging Foundation support

TEAM INFORMATION

1. List of team members and contact information
2. Uploaded biosketches of principal investigator and significant support staff
3. Novice researchers should include their mentor in the team list and provide a biosketch for the mentor

BUDGET

1. Uploaded line item project budget, by year. If a multi-year project, travel to a conference is not allowed in year 1. Indirect costs are limited to 10%. Salaries: Percentage of time applied to grant for PI and Co-PI's will not exceed 30% per person. Base salaries for PI and Co-PI's will not exceed the base salary imposed for NIH grants.
2. Plan for project funding, including a description of any current or requested funding from other major donors
3. Budget narrative summary including description of duties of investigator and staff

ORGANIZATION INFORMATION

1. Pre-award contact information (Development officer)
2. Uploaded brief description of applying organization, its current programs, services, and population(s) served
3. Uploaded board roster, indicating names and affiliations of the organization's governing board
4. Uploaded most recent Independent Audited Financial Statement. This must include the balance sheet, statement of revenues, and cash flow statement from an independent auditor (not internal or governmental audit).
5. Uploaded IRS documentation indicating that the applying organization is tax exempt and is not a private foundation (for non-government agencies)

OTHER DOCUMENTS

1. Uploaded statement of collaborations with other institutions (sub-contracts, etc.)
2. Uploaded Informed Consent documentation for human subject studies. Please provide a draft if not approved yet.
3. Uploaded Scientific references
4. Optional items (uploaded)
 - Letters of support from organizations with key input or interest in the project
 - Relevant news articles
 - Organization's annual report
 - Organization newsletters

Due dates are February 15 and August 15 of each year.

Applications are submitted through <https://gerberfoundation.smartsimple.com>

Individuals seeking assistance with their proposal may contact the Foundation at any time.

“Our most important task as a nation is to make sure all our young people can achieve their dreams.”

- Barack Obama

WEST MICHIGAN YOUTH GRANTS

From horse therapy to paddle boards, wide range of youth services receive support

No two children are the same and no one solution fits everyone. However, we know from research that all children need a variety of assets and skills in order to become productive, caring and responsible citizens. In 2018, the Foundation awarded 62 grants to non-profit agencies in West Michigan, totaling more than \$280,000, in support of the growth and development of local youth.

Every child needs to grow up feeling supported, by their family, other adults, and friends. Children need to feel valued and appreciated as well as learn to appreciate others. They need to learn about boundaries and expectations. And they need to develop positive values such as honesty, responsibility, integrity and compassion. Finally, they need to develop social skills, time management, a commitment to learning, and a positive identity.

The Gerber Foundation provided a variety of grants aimed at achieving or meeting the above needs. A unique program called Be nice, empowers children to create a positive culture through simple daily actions. The program was implemented in every school system throughout Newaygo County. An equine therapy program encouraged the develop of a positive identity and self-esteem in young children struggling with those issues.

Other grants included youth backpack programs providing school supplies, a weekend backpack program (Hand2hand) that provided needed food so children wouldn't go hungry over the weekend when school lunch programs were unavailable, and a Shop with a Cop program that matched a local law enforcement official with a child for a Christmas shopping event. Several parenting education grants supported young parents with information and advice on childrearing and developmental milestones in each of the four counties in our target area. Another grant to the MSU Extension Lake County 4-H program provided the registration fees so children could participate in programs.

A grant to Big Brothers/Big Sisters of the Lakeshore for a program called It Takes Two in Oceana County paired

high school students with elementary students to help children build positive relationships with others. Numerous scholarship grants were provided to local summer camps where children could build new relationships while learning about nature in a fun and engaging way. A few of these summer camp grants targeted specific populations, such as a camp for children in foster care or camps for children who had lost a loved one. Another grant provided paddle boards to a summer camp to enhance their programming.

Finally, education continues to be a strong focus for the Foundation. Grants to agencies that provide mentorship of young people through a summer work program or a broadcasting program, a program that encourages Latino students to continue their education and explore a variety of career options, or leadership conferences were among the many recipients. Additional grants focused on science, technology, or art skills via grants for a robotics team, to support scholarships to a museum for a dinosaur exhibit, a Lego challenge program, the purchase of a kiln for an art classroom, and for a financial literacy program.

The goal of all West Michigan grants is to provide the support needed to those children who need it most, whether to provide basic needs or to provide opportunities that may not be achievable otherwise in order to develop the required assets and skills in all of our children.



“Enhancing the quality of life of infants and young children.”

WEST MICHIGAN GRANTS

American Youth Foundation Oceana County School & Youth Programming	7,500
Arbor Circle Newaygo County Prevention Services	3,000
Big Brothers/Big Sisters of the Lakeshore "It Takes Two" Program	5,000
Blue Lake Fine Arts Camp Camp Scholarships	4,000
Boys and Girls Club of the Muskegon Lakeshore Lego WeDo 2.0	7,886
Camp Henry Camp Scholarships	4,000
Camp Newaygo Health and Leadership Lodge Medical Equipment	10,000
	4,000
Catholic Charities West MI Muskegon & Oceana Healthy Families America & Teen Parent Program	15,000
Center for Equine and Youth Rehabilitation Healing Handicap Youth Of Muskegon	3,000
Centro for Latin@ Studies Center for Latin@ Studies: Promesa Avancemos in Oceana County	10,000
City of Fremont Newaygo County Shop with a Cop	500
Community enCompass Youth Empowerment Project (YEP)	3,000
Community Foundation for Oceana County Read early. Read often.	5,850
FFA Chapters in local area Washington Leadership Conference	7,500
Gerald R. Ford Council, Boy Scouts of America Muskegon and Newaygo County Scouting	2,000
Girls on the Run/Muskegon Muskegon County Program Scholarships	1,675
Grand Rapids Public Museum Exploring Dinosaurs Scholarships	9,974
Hand2Hand Weekend Food Backpack program	5,000
Harbor Hospice Camp Courage Scholarships	5,000
Hesperia Community Schools Kilns for Kids	3,290
Holton United Methodist Church School Backpack program	500

Hospice of Michigan Camp Good Grief Program	2,334
Junior Achievement of the Michigan Great Lakes Get Started Saving: A Financial Education program for Kindergarten Students	4,000
Kids Food Basket Healthy Children Healthy Futures	5,000
Mary Free Bed Hospital & Rehabilitation Center Pediatric Growth Initiative	3,000
Michigan Edge Mountain Biking Assication (MEMBA) Mosquito Creek Trail Project	5,000
Michigan State University OsteoChamps Scholarships	3,000
MSU Extension in Lake County 4-H Participation Fees	2,000
Muskegon Family YMCA dba Camp Pentalouan Camp Scholarships	4,000
Muskegon Rescue Mission Children's Ministry and 2019 Summer Camp	2,000
Newaygo Area District Library Baby Babble-time for Early Literacy	2,000
Newaygo County 4-H Council 4-H Conference Support & Adult and Teen Conferences	4,597
Ag Adventures	900
Busing for 4-H Exploration Days	2,000
Newaygo County Agricultural Fair Association 4-H Fair Auction	2,500
Newaygo County Area Promise Zone Promise Zone Support	10,000
Newaygo County Council for the Arts (Artsplace) Grand Rapids Ballet Experience	1,500
Newaygo County Council Prevention of Child Abuse Summer Program: STEM	7,000
Newaygo County Museum and Heritage Center Bussing for NC Schools and Field Trip Manager	8,610
Newaygo County RESA Ag Adventures	665
FIRST Robotics	7,500
Hope College Center for Leadership Research Project in Partnership with NC Promise Zone	1,500
Open Arms Child Advocacy Center Forensic interviewing for sexual abuse cases	3,000
Pathfinders Lights On After School Program	4,000
Dare to Dream Youth Awards Programs	2,000
Ronald McDonald House of Western Michigan Family Support Program	2,000
Rose Lake Youth Camp Camp Scholarships	2,960
Waterfront programming Paddle Boards	2,525

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Samaritas	
Camp Scholarships	2,750
Coordinated Approach to Child Health in Newaygo County (FACF Fund)	10,000
The Mental Health Foundation of West Michigan	
BE NICE: implementing the life saving action plan in Newaygo County schools	10,000
The Salvation Army	
Fresh Start Baby Pantry	7,000
TrueNorth Community Services	
2019 Youth Programs	22,000
West Shore Pregnancy & Family Support	
Lake County Center	6,500
Oceana County Parent Education Programs (Spanish Version)	5,620
WUVS 103.7 aka West Michigan Community Help Network	
Imara Entertainment Youth Mentorship Program	3,000
TOTAL WEST MICHIGAN GRANTS AWARDED:	280,136

Scholarships

For 2018, 86 students in West Michigan received scholarships totaling \$368,161. These scholarships are provided to graduating seniors from designated high schools in Newaygo, Muskegon, or Oceana Counties in Michigan. An additional 120 students continue to receive support from prior year selections.

The Daniel Gerber Sr. Medallion Scholarship is awarded in Newaygo County only. Twenty-two students received this award worth \$10,600

for post-secondary education. Total scholarship awards for 2018 were \$233,200.

The Gerber Foundation Merit Scholarship is awarded to students in all 3 counties. The scholarship provides \$2,600 towards post-secondary education. Across the three counties, 44 students received this scholarship worth \$114,400.

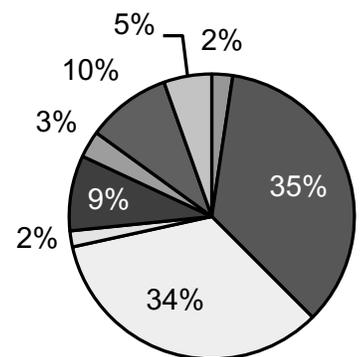
The Newaygo County Career-Tech Center scholarships are awarded

based on the program that the students are graduating from at the Center. Scholarships are provided to two students selected from each of the 13 programs offered. Scholarship amounts vary by program and range from \$150 to \$2,660. Scholarships can be used to purchase tools or equipment required for further study in their field, as well certification exams or tuition. In 2018, 20 students received scholarships for a total of \$20,561.



Summary of 2018 Grants Paid

		(Current and Prior Year Commitments)	
Special Initiatives/Other	\$	73,237	2%
Pediatric Health	\$	1,086,050	35%
Pediatric Nutrition	\$	1,052,931	34%
Nutrient Competitors	\$	56,198	2%
West Michigan	\$	264,536	9%
Matching Grants	\$	94,398	3%
Scholarships	\$	295,765	10%
Discretionary Grants	\$	168,000	5%
	\$	3,091,115	100%



THE GERBER FOUNDATION
FINANCIAL STATEMENTS - MODIFIED CASH BASIS
Years Ended December 31, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

Board of Trustees
The Gerber Foundation
Fremont, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of The Gerber Foundation, which comprise the statements of assets, liabilities, and net assets – modified cash basis as of December 31, 2018 and 2017, and the related statements of revenues, expenses, and other changes in net assets – modified cash basis and cash flows – modified cash basis 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 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 Gerber Foundation as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended on the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to that matter.

Emphasis

As described in Note 4 to the financial statements, the financial statements include investments valued at \$36,585,543 (52.49% of net assets) whose fair values have been estimated by management in the absence of readily determinable fair values. Management estimates are based on information provided by the fund managers. Our opinion is not modified with respect to that matter.

Beene Garter LLP

June 24, 2019
Grand Rapids, Michigan

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THE GERBER FOUNDATION

STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash	\$ 40,612	\$ 71,089
Investments at fair value	69,630,204	76,900,816
Office equipment and software	88,849	90,598
Accumulated depreciation	<u>(60,601)</u>	<u>(47,925)</u>
	<u>28,248</u>	<u>42,673</u>
TOTAL ASSETS	<u><u>\$ 69,699,064</u></u>	<u><u>\$ 77,014,578</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Amounts withheld from employees	\$ 3,908	\$ 2,885
Net Assets without Donor Restrictions	<u>69,695,156</u>	<u>77,011,693</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 69,699,064</u></u>	<u><u>\$ 77,014,578</u></u>

See accompanying notes

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THE GERBER FOUNDATION

STATEMENTS OF REVENUE, EXPENSES, AND OTHER CHANGES IN NET ASSETS - MODIFIED CASH BASIS

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenue		
Interest and dividends on investments	\$ 367,875	\$ 368,317
Net (loss) gain on investments	<u>(4,160,265)</u>	<u>9,103,267</u>
TOTAL REVENUE	(3,792,390)	9,471,584
Expenses		
Program services	3,293,454	2,913,504
Support services		
Administrative	<u>230,693</u>	<u>206,210</u>
TOTAL EXPENSES	<u>3,524,147</u>	<u>3,119,714</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(7,316,537)	6,351,870
Net Assets without Donor Restrictions at Beginning of Year	<u>77,011,693</u>	<u>70,659,823</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	<u>\$ 69,695,156</u>	<u>\$ 77,011,693</u>

See accompanying notes

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THE GERBER FOUNDATION

STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS

Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets without donor restrictions	\$ (7,316,537)	\$ 6,351,870
Adjustment to reconcile change in net assets without donor restrictions to net cash used by operating activities		
Depreciation and amortization	14,425	14,499
Realized gain on sale of investments	(3,996,174)	(4,313,641)
Unrealized loss (gain) on investments	7,894,823	(5,057,921)
Changes in operating liabilities		
Amounts withheld from (paid to) employees	1,023	(331)
NET CASH USED BY OPERATING ACTIVITIES	(3,402,440)	(3,005,524)
Cash Flows from Investing Activities		
Proceeds from sale and maturities of investments	20,439,717	25,463,796
Purchase of investments	(17,067,754)	(22,612,512)
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,371,963	2,851,284
NET DECREASE IN CASH	(30,477)	(154,240)
Cash at Beginning of Year	71,089	225,329
CASH AT END OF YEAR	\$ 40,612	\$ 71,089
Supplemental Information		
Cash paid for federal income and excise taxes	\$ 166,375	\$ 140,810

See accompanying notes

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THE GERBER FOUNDATION
NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

The Gerber Foundation (Foundation) was established in 1952 as an independent private foundation governed by a Board of Trustees who serve without compensation. Income is derived from a diversified portfolio and is used to award grants to qualified applicants in furtherance of the Foundation's mission to enhance the quality of life of infants and young children through nutrition, care and development. Grants from the Foundation are made to organizations recognized as exempt under Section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting

The Foundation's financial statements are prepared on the modified cash basis of accounting which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Under the modified cash basis of accounting, revenues are recognized when collected rather than when earned, and expenditures generally are recognized when paid rather than when incurred. Accrued expenses and grant commitments are not recorded in the financial statements. Purchased assets with estimated useful lives of more than one year are capitalized and depreciated or amortized over the assets' estimated useful lives.

Basis of Presentation

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The Foundation has no net assets with donor restrictions.

Cash

The Foundation maintains its cash at one financial institution. The operating cash account is maintained at a bank that is insured by the Federal Deposit Insurance Corporation (FDIC). From time to time during the year, the Foundation may have cash on deposit in excess of the respective insured limits.

Investments

The Foundation maintains its investments at one financial institution. The accounts at this institution are insured up to \$500,000 by the Securities Investor Protection Corporation. Up to \$100,000 of this coverage may be applied toward uninvested cash (see Note 4). Realized and unrealized gains and losses and other investment earnings are included in the statement of revenue, expenses, and other changes in net assets-modified cash basis.

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THE GERBER FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018 and 2017

Derivative Accounting for Hedge Funds

The Foundation has investments with several hedge funds that seek higher returns than fixed income funds, have similar volatility, and also have a low correlation with traditional equity and fixed income assets.

The investment objectives of this fund are two-fold. The primary objective is to generate over a full market cycle returns higher than the "market" as represented by a style index or mix of indexes reflective of the Foundation's return objectives and risk tolerance. The secondary objectives are to produce a real return goal of inflation plus 5%, to have the dollar weighted average return exceed a long-term return of 8%, and to outpace the style index return and real return market, each measured on a compound average annual return basis after the deduction of investment management fees and annualized over a three to five year rolling time period and a full market cycle. There is no assurance that these objectives will be achieved.

Fair Value Measurements

Fair value measurement accounting standards establish a common definition of fair value, provide a framework for measuring fair value based on inputs used to value the Foundation's investments, and require disclosure about such fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). In determining fair value, various valuation approaches are used. A hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1 unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 other significant inputs including quoted prices of similar assets or liabilities, interest rates, credit risk, etc.
- Level 3 significant unobservable inputs which may include the Foundation's own assumptions in determining fair value.

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THE GERBER FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018 and 2017

Office Equipment

Office equipment, including computer software, is stated at cost, if purchased, or at fair value on date of acquisition, if donated. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

Income Taxes

The Internal Revenue Service has determined the Foundation is a tax-exempt private foundation as defined by Section 501(c)(3) of the Internal Revenue Code (IRC), but is subject to a federal excise tax on net investment income, including realized gains as defined in the IRC.

The IRC requires that certain minimum distributions be made in accordance with a specified formula. According to this formula, the Foundation must distribute currently for charitable purposes 5% of the average fair value of its nonoperating assets in each tax year. Failure to distribute the required amount by the last day of the following year may result in excise taxes on the Foundation's undistributed income within the tax year or within the next succeeding tax year.

As permitted, management intends to distribute sufficient amounts to cover IRC required distributions in the subsequent tax year.

In addition, the Foundation files a 990-T form to report certain taxable investment activity.

Tax positions taken are assessed for uncertainty and a provision may be recorded if a tax position is not likely to be sustained upon examination.

Functional Expenses

The Gerber Foundation is required by U.S. generally accepted accounting principles to report expenses on a functional basis by program. The expenses are reported functionally in Note 8. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

Management has evaluated significant events or transactions occurring subsequent to December 31, 2018 for potential recognition or disclosure in these financial statements. The evaluation was performed through June 24, 2019, the date the financial statements were available for issuance.

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THE GERBER FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018 and 2017

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The Foundation utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in market values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

Recently Issued Accounting Pronouncements

In May 2014 and in subsequent amendments, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09 which amended Revenue from Contracts with Customers (Topic 606) of the Accounting Standards Codification. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The guidance will be effective for the Foundation for annual periods beginning after December 15, 2018.

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, Leases (Topic 842), which provides guidance for accounting for leases. The new guidance requires organizations to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. The ASU is effective for annual periods beginning after December 15, 2019.

The Foundation is currently evaluating the impact these items have on its financial statements.

NOTE 2 - ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The Foundation has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Foundation's financial statements:

The unrestricted net asset class has been renamed net assets without donor restrictions.

The financial statements include a new disclosure about functional expenses (Note 8).

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THE GERBER FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018 and 2017

The financial statements include a new disclosure about liquidity and availability of resources (Note 3).

The changes have the following effect on net assets at January 1, 2017:

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 77,011,693	\$ -
Net assets without donor restrictions	-	77,011,693
Total net assets	<u>\$ 77,011,693</u>	<u>\$ 77,011,693</u>

NOTE 3 - LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise of the following:

Cash and cash equivalents	\$ 40,612
Cash equivalents at investment companies	686,826
Assets readily convertible to cash within 30 days	<u>36,616,968</u>
	<u>\$ 37,344,406</u>

As part of the Foundation's liquidity management plan, certain funds are invested according to a board approved liquidity policy which provides that certain assets within the portfolio with daily or monthly liquidity will be maintained equivalent to an amount that would sufficiently cover commitments for at least five years.

The Foundation requires cash and cash equivalent balances to support a minimum of three months of grant and general office costs.

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THE GERBER FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018 and 2017

NOTE 4 - INVESTMENTS

Investments consist of the following:

	2018			2017		
	Cost	Unrealized Gain (Loss)	Fair Value	Cost	Unrealized Gain (Loss)	Fair Value
Cash and cash equivalents	\$ 686,826	\$ -	\$ 686,826	\$ 2,430,272	\$ -	\$ 2,430,272
Alternative investments						
Limited liability corporations	647,303	(285,838)	361,465	661,850	(209,346)	452,504
Limited partnerships	28,927,790	7,296,288	36,224,078	18,977,239	8,598,524	27,575,763
Equity securities						
Emerging markets funds	-	-	-	3,559,586	1,267,461	4,827,047
World index funds	22,651,189	991,981	23,643,170	24,729,122	5,920,985	30,650,107
Moderate Allocation	4,338,110	(504,194)	3,833,916	4,537,765	133,118	4,670,883
Fixed income funds	4,880,365	384	4,880,749	6,450,631	(156,391)	6,294,240
	<u>\$ 62,131,583</u>	<u>\$ 7,498,621</u>	<u>\$ 69,630,204</u>	<u>\$ 61,346,465</u>	<u>\$ 15,554,351</u>	<u>\$ 76,900,816</u>

Net (loss) gain on investments consists of the following:

	2018	2017
Realized gains	\$ 3,996,174	\$ 4,313,641
Unrealized (losses) gains	(7,894,823)	5,057,921
Investment fees	(261,616)	(268,295)
	<u>\$ (4,160,265)</u>	<u>\$ 9,103,267</u>

The Foundation invests in certain alternative investments which include investments in hedge funds. Market values represent the Foundation's pro rata interest in the net assets of each alternative investment as of December 31, 2018 and 2017, as provided by the fund managers. Market values as of December 31, 2018 and 2017 may be based on audited financial information or on financial data supplied by the general partner or manager of the funds. Management reviews monthly valuations provided by the general partner or manager of the funds and assesses the reasonableness of the fair values provided at the interim dates and included in the financial statements.

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THE GERBER FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018 and 2017

The tables that follow set forth information about the level within the fair value hierarchy at which the Foundation's investments are measured at December 31, 2018 and 2017:

	2018 - Based on			Total
	Level 1 Quoted Prices in Active Markets	Level 2 Other Observable Inputs	Level 3 Unobservable Inputs	
Cash and cash equivalents	\$ 686,826	\$ -	\$ -	\$ 686,826
Alternative investments				
Limited liability corporations	-	-	361,465	361,465
Limited partnerships	-	-	36,224,078	36,224,078
Equity securities				
World index funds	4,375,538	19,267,629	-	23,643,167
Moderate Allocation	3,833,919	-	-	3,833,919
Fixed income funds	4,880,749	-	-	4,880,749
	<u>\$ 13,777,032</u>	<u>\$ 19,267,629</u>	<u>\$ 36,585,543</u>	<u>\$ 69,630,204</u>
	2017 - Based on			
	Level 1 Quoted Prices in Active Markets	Level 2 Other Observable Inputs	Level 3 Unobservable Inputs	Total
Cash and cash equivalents	\$ 2,430,272	\$ -	\$ -	\$ 2,430,272
Alternative investments				
Limited liability corporations	-	-	452,504	452,504
Limited partnerships	-	-	27,575,763	27,575,763
Equity securities				
Emerging markets funds	922,398	3,904,649	-	4,827,047
World index funds	8,202,427	22,447,680	-	30,650,107
Moderate Allocation	4,670,883	-	-	4,670,883
Fixed income funds	6,294,240	-	-	6,294,240
	<u>\$ 22,520,220</u>	<u>\$ 26,352,329</u>	<u>\$ 28,028,267</u>	<u>\$ 76,900,816</u>

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THE GERBER FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018 and 2017

Following is a reconciliation of activity for assets measured at fair value based on significant unobservable (Level 3) information:

	Level 3 Investments	
	2018	2017
Balance, beginning year	\$ 28,028,267	\$ 31,843,865
Realized gains included in change in net assets	1,159,751	2,810,767
Unrealized gains included in change in net assets	531,634	5,201,817
Purchases	10,843,036	5,211,007
Sales	(3,977,145)	(17,039,189)
Balance, end of year	<u>\$ 36,585,543</u>	<u>\$ 28,028,267</u>

NOTE 5 - COMMITMENTS FOR GRANTS

As of December 31, 2018, trustees of the Foundation have authorized the payment of grants in future periods as follows:

Year ending December 31:

2019	\$ 1,896,169
2020	1,522,535
2021	581,036
2022	93,900
	<u>\$ 4,093,640</u>

NOTE 6 - LEASE

The Foundation leases office space in Fremont, Michigan under an operating lease agreement from an unrelated party that expires on December 31, 2025. The agreement calls for monthly payments of \$1,500. Total lease expense for this office space was \$18,000 in 2018 and 2017.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018 and 2017

Future minimum lease payments under this non-cancelable lease are as follows:

2019	\$	18,000
2020		18,000
2021		18,000
2022		18,000
2023		18,000
Thereafter		36,000
		<hr/>
	\$	126,000

NOTE 7 - RETIREMENT SAVINGS PLAN

The Foundation maintains a retirement savings plan under Internal Revenue Code Section 401(k) for eligible employees which allows for deferrals up to the maximum allowed under the Internal Revenue Code. The Foundation can make matching contributions at the discretion of the Board of Directors. Employer matching contributions which vest immediately, were \$16,397 and \$17,024 in 2018 and 2017, respectively.

NOTE 8 - FUNCTIONAL EXPENSE

Certain categories of expenses are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis consistently applied including, but not limited to, usage or space and estimates of time and effort.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018 and 2017

Functional expenses for December 31, 2018 are as follows:

	<u>Program Services</u>	<u>Administrative</u>	<u>Total</u>
Salaries and wages	\$ 84,022	\$ 14,827	\$ 98,849
Employee fringe benefits	13,937	2,460	16,397
Payroll taxes	6,628	1,170	7,798
Grants and scholarships paid	3,091,115	-	3,091,115
Contracted services	5,166	574	5,740
Office expenses	9,227	1,628	10,855
Occupancy	15,300	2,700	18,000
Travel	21,019	-	21,019
Conferences	610	-	610
Accounting and professional	-	39,205	39,205
Dues and subscriptions	16,084	-	16,084
Depreciation and amortization	14,299	127	14,426
Repairs and maintenance	5,954	-	5,954
Insurance	8,564	1,511	10,075
Taxes	-	166,375	166,375
Miscellaneous	1,529	116	1,645
	<u>\$ 3,293,454</u>	<u>\$ 230,693</u>	<u>\$ 3,524,147</u>

NOTE 9 - RECLASSIFICATIONS

Certain reclassifications have been made to the 2017 financial statements in order to conform to the 2018 presentation.

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