

# **CARINGBRIDGE**

Eagan, Minnesota

## **FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and For the Years Ended December 31, 2018 and 2017

# CARINGBRIDGE

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
CaringBridge  
Eagan, Minnesota

We have audited the accompanying financial statements of CaringBridge (the "Organization"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matter**

As discussed in Note 1 to the financial statements, the Organization adopted Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* and Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* for the year ended December 31, 2018.

*Baker Tilly Virchow Krause, LLP*

Minneapolis, Minnesota  
March 6, 2019

# CARINGBRIDGE

## STATEMENTS OF FINANCIAL POSITION

As of December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,159,366	\$ 3,461,913
Accounts receivable	13,540	15,986
Inventory	871	1,300
Prepaid expenses	121,477	78,668
Total Current Assets	<u>4,295,254</u>	<u>3,557,867</u>
<b>OTHER ASSETS</b>		
Endowment investments	212,257	209,544
Investments	1,128,911	1,126,295
Other assets	15,300	15,300
Fixed assets		
Furniture and equipment	700,951	822,353
Leasehold improvements	423,458	423,458
Website and mobile phone applications	2,657,113	2,271,306
Less: Amortization and depreciation	<u>(2,923,595)</u>	<u>(2,753,958)</u>
Total Fixed Assets	857,927	763,159
Total Other Assets	<u>2,214,395</u>	<u>2,114,298</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 6,509,649</u></u>	<u><u>\$ 5,672,165</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 470,365	\$ 72,415
Accrued expenses	386,882	229,532
Capital lease liability, current maturities	-	55,189
Deferred grant revenue	1,051,801	-
Total Current Liabilities	<u>1,909,048</u>	<u>357,136</u>
<b>LONG TERM LIABILITIES</b>		
Deferred leasehold improvements	221,503	293,342
Deferred grant revenue, long term	96,850	-
Total Long Term Liabilities	<u>318,353</u>	<u>293,342</u>
<b>TOTAL LIABILITIES</b>	<u>2,227,401</u>	<u>650,478</u>
<b>NET ASSETS</b>		
Without donor restrictions	4,069,991	4,812,143
With donor restrictions	212,257	209,544
Total Net Assets	<u>4,282,248</u>	<u>5,021,687</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 6,509,649</u></u>	<u><u>\$ 5,672,165</u></u>

See accompanying notes to financial statements.

## CARINGBRIDGE

### STATEMENTS OF ACTIVITIES For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Without	With	Total	Without	With	Total
	Donor Restrictions	Donor Restrictions		Donor Restrictions	Donor Restrictions	
<b>REVENUE AND OTHER SUPPORT</b>						
Contributions	\$ 7,766,703	\$ 51,349	\$ 7,818,052	\$ 7,361,284	\$ 40,000	\$ 7,401,284
Donated services	702,430	-	702,430	485,801	-	485,801
Investment income	12,243	2,713	14,956	15,949	2,372	18,321
Other income	193,268	-	193,268	195,294	-	195,294
Unrelated business income	1,024	-	1,024	859	-	859
Net assets released from restrictions	51,349	(51,349)	-	40,000	(40,000)	-
Total Revenue and Other Support	<u>8,727,017</u>	<u>2,713</u>	<u>8,729,730</u>	<u>8,099,187</u>	<u>2,372</u>	<u>8,101,559</u>
<b>EXPENSES</b>						
Program expenses	7,522,768	-	7,522,768	5,777,869	-	5,777,869
Management and general	1,069,768	-	1,069,768	1,096,849	-	1,096,849
Fundraising	876,633	-	876,633	929,811	-	929,811
Total Expenses	<u>9,469,169</u>	<u>-</u>	<u>9,469,169</u>	<u>7,804,529</u>	<u>-</u>	<u>7,804,529</u>
<b>CHANGE IN NET ASSETS</b>	(742,152)	2,713	(739,439)	294,658	2,372	297,030
NET ASSETS - Beginning of year	<u>4,812,143</u>	<u>209,544</u>	<u>5,021,687</u>	<u>4,517,485</u>	<u>207,172</u>	<u>4,724,657</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 4,069,991</u>	<u>\$ 212,257</u>	<u>\$ 4,282,248</u>	<u>\$ 4,812,143</u>	<u>\$ 209,544</u>	<u>\$ 5,021,687</u>

See accompanying notes to financial statements.

**CARINGBRIDGE**

STATEMENTS OF FUNCTIONAL EXPENSES  
For the Years Ended December 31, 2018 and 2017

	2018				2017			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 3,391,307	\$ 311,081	\$ 325,228	\$ 4,027,616	\$ 3,073,919	\$ 307,565	\$ 470,565	\$ 3,852,049
Payroll taxes and employee benefits expense	688,845	136,682	69,991	895,518	603,504	98,427	110,298	812,229
<b>Total Salaries and Related Expenses</b>	<b>4,080,152</b>	<b>447,763</b>	<b>395,219</b>	<b>4,923,134</b>	<b>3,677,423</b>	<b>405,992</b>	<b>580,863</b>	<b>4,664,278</b>
Professional fees	-	33,546	117,900	151,446	-	84,737	70,000	154,737
Website development and support	693,918	8,945	50,182	753,045	538,682	2,029	63,394	604,105
Contracted services	1,396,644	198,014	24,014	1,618,672	270,957	238,044	22,000	531,001
Outreach programs	778,117	2,480	24,473	805,070	758,918	3,385	10,917	773,220
Service materials	1,323	49	73,422	74,794	1,135	47	35,624	36,806
Travel expenses	22,024	12,029	11,975	46,028	2,916	11,731	18,833	33,480
Insurance	24,661	2,363	2,365	29,389	26,120	2,613	3,999	32,732
Licenses and permits	209	15,100	7,930	23,239	-	22,121	2,670	24,791
Supplies and equipment	74,210	7,112	7,117	88,439	27,790	2,781	4,254	34,825
Postage and shipping	1,852	6,252	136,082	144,186	1,277	5,160	83,268	89,705
Telephone	5,762	552	553	6,867	6,945	695	1,063	8,703
Depreciation and amortization	305,197	10,454	10,461	326,112	356,756	10,624	16,255	383,635
Occupancy	131,116	12,566	12,574	156,256	108,900	10,896	16,671	136,467
Donation credit card fees	-	303,352	-	303,352	-	289,058	-	289,058
Miscellaneous	7,583	9,191	2,366	19,140	50	6,936	-	6,986
<b>TOTAL EXPENSES</b>	<b>\$ 7,522,768</b>	<b>\$ 1,069,768</b>	<b>\$ 876,633</b>	<b>\$ 9,469,169</b>	<b>\$ 5,777,869</b>	<b>\$ 1,096,849</b>	<b>\$ 929,811</b>	<b>\$ 7,804,529</b>

See accompanying notes to financial statements.

# CARINGBRIDGE

## STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (739,439)	\$ 297,030
Depreciation and amortization	326,112	383,635
Amortization of deferred leasehold improvements	(71,839)	(71,839)
Restricted contributions for the purchase of property and equipment	-	(40,000)
Unrealized loss on investments	20,207	6,718
Unrealized loss on endowment investments	12,262	21,491
Changes in assets and liabilities:		
Inventory	429	555
Accounts receivable	2,446	(15,986)
Prepaid expenses	(42,809)	(40,594)
Accounts payable	397,950	(19,010)
Accrued expenses	157,350	4,288
Deferred grant revenue	1,148,651	-
Net cash flows from operating activities	<u>1,211,320</u>	<u>526,288</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(37,798)	(538,312)
Purchases of fixed assets	(420,880)	(13,773)
Net cash flows from investing activities	<u>(458,678)</u>	<u>(552,085)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Restricted contributions received for the purchase of property and equipment	-	40,000
Payments on capital lease liability	(55,189)	(73,582)
Net cash flows from financing activities	<u>(55,189)</u>	<u>(33,582)</u>
<b>Net Change in Cash and Cash Equivalents</b>	697,453	(59,379)
CASH AND CASH EQUIVALENTS - Beginning of year	<u>3,461,913</u>	<u>3,521,292</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 4,159,366</u>	<u>\$ 3,461,913</u>

See accompanying notes to financial statements.



# CARINGBRIDGE

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2018 and 2017

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## **NOTE 1 - Summary of Significant Accounting Policies**

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### *Organization*

CaringBridge (the “Organization”) is a global nonprofit social network dedicated to helping family and friends communicate with and support loved ones during a health journey. Thanks to compassionate donors, anyone, anywhere can create a free personal website through CaringBridge to share updates and receive the love and strength they need from their community during an illness or injury.

#### Benefits of use:

**One Place to Do It All:** A free CaringBridge website has all the tools needed to keep family and friends updated during a difficult time. Because CaringBridge is a nonprofit, it puts users’ needs first. Through a CaringBridge website, users can: share news and updates with everyone at the same time, communicate in a private, ad-free place, activate friends and family and coordinate help, and receive emotional strength and support.

**Save Time and Reduce Stress:** A health crisis throws everything into chaos. A personal CaringBridge website gives users one centralized, private place to share health updates and request the help they need.

**Dedicated to Health:** A personal CaringBridge website is a place to share health updates, photos and videos with the people who care about a loved one’s health journey.

**Private, Protected and Ad-Free:** Authors and users are in control of website privacy settings, so each website is as private or public as the person wants it to be. Personal data is never sold, and there is no outside advertising, so the focus is always on the health journey, not the latest advertisement.

**Coordinate Help:** Family and friends want to know how they can help, and a CaringBridge site is the place to guide them. A CaringBridge site is a place to let friends and family know what they can do, when a patient wants visitors, any hospital or facility information, and how best to contact other caregivers/authors. CaringBridge websites can also be linked with other online tools, such as a personal fundraiser or calendar

Since June 7, 1997, more than 800,000 CaringBridge websites have been created. Combined, they have received more than 2.2 billion visits. In 2018, 31 million people visited CaringBridge to support their family and friends during a health journey. Today, every 8 minutes a new CaringBridge website is created for someone experiencing a health crisis.

# CARINGBRIDGE

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2018 and 2017

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### **NOTE 1 - Summary of Significant Accounting Policies (Continued)**

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#### *Financial Statement Presentation*

For purposes of financial reporting, the Organization classifies resources into two net assets categories pursuant to any donor-imposed restrictions and applicable law. Accordingly, the net assets of the Organization are classified in the accompanying financial statements in the categories that follow:

Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

With Donor Restrictions - Net assets subject to donor-imposed stipulations that will be met by action of the Organization and/or passage of time. Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

#### *Board Designated Net Assets*

The Organization's Board of Directors has the ability to designate identified amounts of net assets without restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Board of Directors at any time. There are no board designated net assets at December 31, 2018 and 2017.

#### *Revenue Recognition*

Revenues from sources other than contributions are generally reported as increases in net assets without donor restrictions. Expenses are reported as decreases in that category. Income earned on donor restricted funds is initially classified as net assets with donor restrictions and is reclassified to net assets without donor restrictions when expenses are incurred for their intended purpose.

Unconditional contributions, those that do not include a measurable performance-related or other barrier or are those in which the Organization has limited discretion over how the contribution should be spent, are recognized as revenues in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions. Contributions that include a measurable barrier or those for which the Organization has limited discretion over how the contribution should be spent are recorded as conditional contributions and a right of return. Conditional contributions are not recognized until they become unconditional, that is, when the conditions surrounding the indications of the barrier have been met.

Donor-restricted contributions whose restrictions are met in the same reporting period are reported as with donor-restricted revenues and released to without donor-restricted net assets to reflect the expiration of such restrictions.

Donated services and facilities are recognized as contributions in accordance with the accounting guidance if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, and would otherwise be purchased by the Organization.

Contributions received from related parties (members of the Board of Directors) for the years ended December 31, 2018 and 2017 totaled \$120,028 and \$147,553, respectively.

# CARINGBRIDGE

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2018 and 2017

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### **NOTE 1 - Summary of Significant Accounting Policies (Continued)**

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#### *Cash and Cash Equivalents*

CaringBridge defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less. Cash in excess of FDIC and similar insurance coverages are subject to the usual banking risks of funds in excess of those limits.

#### *Receivables*

Receivables are primarily from credit card payments related donations made through the website. No allowance for doubtful accounts is recorded based on historical experience and management's evaluation of receivables. Bad debts are expensed when deemed uncollectible. Receivables are generally unsecured.

#### *Inventories*

Inventories consist of promotional items and awareness materials. They are valued at cost.

#### *Investment and Investment Income Recognition*

The Organization's investments are presented in the financial statements at fair value in accordance with accounting principles generally accepted in the United States of America. Changes in fair value are recorded as unrealized gains (losses). Realized gains (losses) will be recorded upon the sale of the investments. Investment income and gains pertaining to certain donor restricted net assets are recorded as with donor restrictions in accordance with the applicable gift instruments. Interest income is recognized under the accrual basis.

Investments are exposed to various risks such as interest rate, market and credit risks. It is reasonably possible that changes in values of investments will occur in the near term and that such changes could materially affect the amounts reported.

#### *Fixed Assets*

Property and equipment purchased are capitalized at cost or in the case of donated equipment, at estimated market value on the date of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (three years for the website and mobile phone applications and three to seven years for furniture and equipment). Leasehold improvements are being amortized over the shorter of the expected life of the asset or the period of the lease. The Organization capitalizes additions in excess of \$2,000. Prior to 2018, all additions in excess of \$500 were capitalized.

Website development costs are capitalized if they significantly enhance the capability or capacity of CaringBridge's website. Mobile phone application costs are capitalized for new platforms and for enhancements that significantly upgrade the capability of the mobile application.

Costs capitalized include external direct costs of materials and services and internal payroll and payroll-related costs. Any costs during the preliminary project stage or related to training or maintenance is expensed as incurred. Capitalization ceases when the projects are substantially complete and ready for their intended use. The capitalization and ongoing assessment of recoverability of development costs requires considerable judgment by management with respect to certain external factors, including, but not limited to, technological and economic feasibility, and estimated economic life.

# CARINGBRIDGE

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2018 and 2017

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### **NOTE 1 - Summary of Significant Accounting Policies (Continued)**

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When the projects are ready for their intended use, the Organization amortizes such costs over their estimated useful lives of three years. Estimated amortization expense remaining for the 2016 application modernization is \$103,126 for the year ending December 31, 2019. Estimated amortization expense remaining for the 2018 application modernization is \$128,602, \$128,602 and \$117,885 for the years ending December 31, 2019, 2020 and 2021, respectively.

Contributions of fixed assets related to the website are reported as increases in donor-restricted net assets. Restrictions are considered met and an appropriate amount reclassified to net assets without donor-restrictions, when the asset is placed in service.

#### *Deferred Grant Revenue*

Conditional contributions are recorded as deferred grant revenue when received and reflected as support in the year when the revenues are earned.

#### *Research and Development Costs*

Research and development costs are expensed as incurred. Research and development costs are included in the statements of functional expenses described as website development and support and includes costs expended related to website development and mobile phone application projects which have not met the requirement for capitalization.

#### *Income Tax Status*

The Internal Revenue Service has determined that CaringBridge is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. It is also exempt from state income tax. However, any unrelated business income may be subject to taxation. There was no unrelated business income tax recorded for the years ended December 31, 2018 and 2017.

The Organization follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Organization for uncertain tax positions as of December 31, 2018 and 2017. The Organization's tax returns are subject to review and examination by federal and state authorities.

#### *Functional Expense Allocation*

The costs of providing the programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. All expenses are allocated based on an analysis of personnel time and resources utilized for the related activities based on the best estimates of management.

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates and assumptions include the allocations to the various functional expense categories.

# CARINGBRIDGE

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2018 and 2017

### **NOTE 1 - Summary of Significant Accounting Policies (Continued)**

#### *Recent Accounting Pronouncement*

In February 2016, FASB issued ASU No. 2016-02, *Leases*. ASU No. 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statement of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019. Early application is permitted. Upon adoption, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. The Organization is assessing the impact this standard will have on its financial statements.

#### *New Accounting Pronouncements Adopted in Current Year*

In August 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Organization adopted the provisions of this new standard during the year ended December 31, 2018. The primary change includes presenting two classes of net assets versus the three categories previously required. The standard also provides for enhanced disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity and expenses by both natural and functional classification. This standard has been retrospectively applied to the prior period presented with certain transition provisions.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Organization elected to early adopt ASU 2018-08 effective for its financial statements as of and for the year ended December 31, 2018. The Organization has reflected its revised accounting policy, which is in accordance with ASU 2018-08, for the evaluation and recognition of contributions within Note 1, under *Revenue Recognition*. As a result of this change, the Organization has one contribution that was received in 2018 that would have been accounted for as a restricted, unconditional contribution under the previous guidance. However, under ASU 2018-08, this contribution received was evaluated as a conditional contribution and is reflected as deferred revenue in the 2018 statement of financial position. The table below summarizes the differences by financial statement line item when applying the ASU 2018-08 amendment versus the previous guidance.

	Under previous guidance	Impact of adoption of ASU 2018-08	Current reporting
<b>Statement of Activities Amounts</b>			
Contribution revenue - with donor restriction	\$ 1,200,000	\$ (1,148,651)	\$ 51,349
<b>Statement of Financial Position Amounts</b>			
Deferred grant revenue	-	1,148,651	1,148,651
Net assets with donor restriction	1,360,908	(1,148,651)	212,257

# CARINGBRIDGE

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2018 and 2017

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### NOTE 2 - Liquidity and Availability

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The Organization's financial assets available within one year of the statement of financial position date for general expenditure such as operating expenses are as follows:

Cash and cash equivalents	\$ 4,159,366
Less amounts included in cash for conditional contributions received	(1,148,651)
Accounts and interest receivable	13,540
Investments	<u>1,128,911</u>
Total financial assets available to meet cash needs for general expenses within one year	<u>\$ 4,153,166</u>

As of December 31, 2018, the Organization had liquid assets on hand to cover approximately 160 days of operating expenses. The Organization's practice is to structure its financial assets to be available as its general expenses, liabilities and obligations come due and targets a minimum of 100 days of cash on hand. Cash in excess of daily requirements is typically invested in short-term, liquid securities.

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### NOTE 3 - Fair Value Measurements and Investments

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#### *Fair Value Hierarchy*

Fair value is defined under generally accepted accounting principles as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which are based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 1 assets include investments in corporate bonds, Treasury securities, government securities, and money market funds for which quoted prices are readily available.

Level 2 – Inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3 – Inputs are unobservable for the asset or liability. 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.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input this is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset.

# CARINGBRIDGE

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2018 and 2017

### **NOTE 3 - Fair Value Measurements and Investments (Continued)**

While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table presents information about the Organization's assets measured at fair value on a recurring basis as of December 31, 2018 based upon the three-tier hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>ASSETS</b>				
Investments				
Corporate bonds	\$ 620,030	\$ -	\$ -	\$ 620,030
Treasury securities	66,313	-	-	66,313
Government securities	155,965	-	-	155,965
Money market	286,603	-	-	286,603
Endowment Investments				
Corporate bonds	122,083	-	-	122,083
Money market	90,174	-	-	90,174
Total	<u>\$ 1,341,168</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,341,168</u>

The following table presents information about the Organization's assets measured at fair value on a recurring basis as of December 31, 2017 based upon the three-tier hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>ASSETS</b>				
Investments <sup>(1)</sup>				
Corporate bonds	\$ 794,050	\$ -	\$ -	\$ 794,050
Treasury securities	43,335	-	-	43,335
Government securities	127,404	-	-	127,404
Money market	143,930	-	-	143,930
Endowment Investments <sup>(1)</sup>				
Corporate bonds	156,351	-	-	156,351
Money market	17,478	-	-	17,478
Total	<u>\$ 1,282,548</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,282,548</u>

<sup>(1)</sup> Excluded from the table above are certificates of deposits of \$17,576 and \$35,715, which are recorded in investments and endowment investments, respectively, on the statement of financial position as of December 31, 2017.

Investment income for the years ending December 31, 2018 and 2017 was as follows:

	<u>2018</u>	<u>2017</u>
Interest, dividends and realized gains	\$ 47,425	\$ 46,530
Unrealized losses	(32,469)	(28,209)
Total investment income	<u>\$ 14,956</u>	<u>\$ 18,321</u>

# CARINGBRIDGE

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2018 and 2017

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### NOTE 4 - Lease Commitments

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#### Office Leases

On August 23, 2016, CaringBridge signed an operating lease for office space. The lease is a 63-month lease with escalating payments with the first three months free. Rental expense is recognized on a straight-line basis over the life of the lease. Rent expense for the years ended December 31, 2018 and 2017 under this lease was \$142,313 and \$140,941, respectively.

The difference between the amount paid and the amount expensed are included in accrued expenses at year-end. Future minimum lease payments under the lease are as follows:

	<u>Future Minimum Rental Payments</u>
Year ending December 31:	
2019	\$ 147,551
2020	152,789
2021	158,028
2022	<u>13,533</u>
Total	<u>\$ 471,901</u>

#### Capital Lease

During 2016, CaringBridge entered into a capital lease for office furniture. This lease expired during 2018. The asset is included in furniture and equipment as follows at December 31:

Furniture and equipment	\$ 147,167
Less: Accumulated amortization	<u>(63,772)</u>
Total	<u>\$ 83,395</u>



# CARINGBRIDGE

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2018 and 2017

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### NOTE 5 - In-Kind Contributions

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CaringBridge records in-kind contributions at fair value at the date of donation. The fair value of these services has been recorded as contribution revenue on the statement of activities and in the related expense account on the statements of activities or in fixed assets on the balance sheet if the useful life of the contributed asset is greater than one year. In-kind contributions consisted of the following during the years ended December 31, 2018 and 2017, respectively:

	<u>2018</u>	<u>2017</u>
Donated services	<u>\$ 702,430</u>	<u>\$ 485,801</u>

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### NOTE 6 - Deferred Grant Revenue and Conditional Contributions

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Deferred grant revenue totaling \$1,148,651 at December 31, 2018 includes amounts received in 2018 relating to a conditional contribution. The contribution is conditional upon the Organization spending the grant funds on the specific program purposes as outlined in the grant proposal and agreement. The Organization anticipates recognizing \$1,051,801 of the conditional contribution in 2019 and the remaining \$96,850 in 2020.

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### NOTE 7 - Net Assets With Donor Restrictions

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Net assets with donor restrictions at December 31, 2018 and 2017 consisted of funds held in a donor restricted endowment fund (see Note 8).

Net assets with donor restrictions released from restriction in 2018 of \$51,349 related to a grant funded project restricted for program purposes. Net assets with donor restrictions released from restriction in 2017 of \$40,000 related to a project restricted for the transformation of the Organization's website.

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### NOTE 8 - Endowment Funds

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As required by generally accepted accounting principles, net assets with donor restrictions associated with the Organization's endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

#### *Interpretation of Relevant Law*

The Organization's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor-stipulations to the contrary.

As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

# CARINGBRIDGE

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2018 and 2017

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### NOTE 8 - Endowment Funds (Continued)

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The remaining portion of the donor restricted endowment fund that is not classified in with donor restricted net assets is classified as without donor-restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

#### *Return Objectives and Risk Parameters*

The Organization has adopted investment and spending policies for endowment assets that attempt to minimize risk of investments with certain percent available without penalty. Investments should generate income to support the mission of CaringBridge. The primary investment objectives are to achieve long-term total return, to preserve the principal of the fund by reinvesting income and to produce a consistent stream of investment income.

Endowment assets include those assets of donor restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). As of December 31, 2018 and 2017, the Organization had no board-designated funds. Donor restricted endowment funds to be held in perpetuity are \$200,000 at December 31, 2018 and 2017.

#### *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the Organization relies on a conservative strategy. The balance of the endowment should be invested in fixed income vehicles. The guiding criteria for the choice of investment vehicle are safety and yield. The guiding criteria for liquidity would be that the spendable amount determined by the Endowment Fund Policy Statement is liquid to be withdrawn in January each year.

#### *Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Organization has a policy for appropriating for distribution each year, which must be no less than three percent (3%) and no greater than six percent (6%). The Organization will determine the spendable amount for its endowment funds for the upcoming budget year following the close of the September 30 quarter by calculating the average fair market value of its endowment funds, calculated over twelve quarters ending with the September 30 quarter, and multiplying that average value by the applicable Spending Percentage. In establishing this policy, the Organization considered the long-term expected return on its endowment. Depending on the fund total return, the Organization may not meet a positive growth rate each year based on market conditions. However management has determined this is a conservative and appropriate benchmark for the Organization's intentions related to the growth and preservation of the funds. The Organization will not calculate an annual spendable amount for any fund which, as of September 30, has fallen below 90 percent of the aggregate value of all gifts to that fund. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The Organization has elected not to take an appropriation in 2018 and 2017.

# CARINGBRIDGE

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2018 and 2017

### NOTE 8 - Endowment Funds (Continued)

*Endowment and Restricted Net Asset Composition by Type of Fund*

	December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Roger and Hazel Perkins Endowment Fund	\$ -	\$ 212,257	\$ 212,257

	December 31, 2017		
	Without Donor Restriction	With Donor Restriction	Total
Roger and Hazel Perkins Endowment Fund	\$ -	\$ 209,544	\$ 209,544

*Changes in Endowment Net Assets*

	Year Ended December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment, beginning of year	\$ -	\$ 209,544	\$ 209,544
Investment income	-	2,713	2,713
Appropriation for expenditures	-	-	-
Endowment, end of year	\$ -	\$ 212,257	\$ 212,257

	Year Ended December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment, beginning of year	\$ -	\$ 207,172	\$ 207,172
Investment income	-	2,372	2,372
Appropriation for expenditures	-	-	-
Endowment, end of year	\$ -	\$ 209,544	\$ 209,544

*Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies at December 31, 2018 and 2017.

# CARINGBRIDGE

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2018 and 2017

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### **NOTE 9 - Retirement Plans**

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The Organization's retirement plan, CaringBridge 401(k) Plan, covers all eligible employees. The employer contribution structure is a Safe Harbor Qualified Non-Elective Contribution of 3%.

Employer contribution expense totaled \$115,667 and \$113,767 for the years ended December 31, 2018 and 2017, respectively.

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### **NOTE 10 - Subsequent Events**

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The Organization has evaluated subsequent events through March 6, 2019 which is the date that the financial statements were approved and available to be issued.