

**CARINGBRIDGE**  
Eagan, Minnesota

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and For the Years Ended December 31, 2017 and 2016

# 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, 2017 and 2016, 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, 2017 and 2016, 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.

*Baker Tilly Virchow Krause, LLP*

Minneapolis, Minnesota  
March 8, 2018

## CARINGBRIDGE

### STATEMENTS OF FINANCIAL POSITION As of December 31, 2017 and 2016

<b>ASSETS</b>		
	2017	2016
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,461,913	\$ 3,521,292
Accounts receivable	15,986	-
Inventory	1,300	1,855
Prepaid expenses	78,668	38,074
Total Current Assets	3,557,867	3,561,221
<b>OTHER ASSETS</b>		
Endowment investments	209,544	207,172
Investments	1,126,295	618,564
Other assets	15,300	15,300
<b>Fixed assets</b>		
Furniture and equipment	822,353	808,580
Leasehold improvements	423,458	423,458
Website and mobile phone applications	2,271,306	2,271,306
Less: Amortization and depreciation	(2,753,958)	(2,370,323)
Total Fixed Assets	763,159	1,133,021
Total Other Assets	2,114,298	1,974,057
<b>TOTAL ASSETS</b>	<b>\$ 5,672,165</b>	<b>\$ 5,535,278</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 72,415	\$ 91,425
Accrued expenses	229,532	225,244
Capital lease liability, current maturities	55,189	73,582
Total Current Liabilities	357,136	390,251
<b>LONG TERM LIABILITIES</b>		
Deferred leasehold improvements	293,342	365,181
Capital lease liability, net of current maturities	-	55,189
Total Long Term Liabilities	293,342	420,370
<b>TOTAL LIABILITIES</b>	650,478	810,621
<b>NET ASSETS</b>		
Unrestricted	4,812,143	4,517,485
Temporarily restricted	9,544	7,172
Permanently restricted	200,000	200,000
Total Net Assets	5,021,687	4,724,657
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,672,165</b>	<b>\$ 5,535,278</b>

See accompanying notes to financial statements.

**CARINGBRIDGE**

**STATEMENTS OF ACTIVITIES**  
For the Years Ended December 31, 2017 and 2016

	2017			2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND OTHER SUPPORT</b>								
Accounts receivable	\$ 7,361,284	\$ 40,000	\$ -	\$ 7,401,284	\$ 6,524,085	\$ 90,000	\$ -	\$ 6,614,085
Donated services	485,801	-	-	485,801	699,643	-	-	699,643
Investment income	15,949	2,372	-	18,321	11,988	4,025	-	16,013
Other income	195,294	-	-	195,294	110,314	-	-	110,314
Unrelated business income	859	-	-	859	12,360	-	-	12,360
Net assets released from restrictions	40,000	(40,000)	-	-	90,000	(90,000)	-	-
Total Revenue and Other Support	8,099,187	2,372	-	8,101,559	7,448,390	4,025	-	7,452,415
<b>EXPENSES</b>								
Program expenses	5,777,869	-	-	5,777,869	5,404,762	-	-	5,404,762
Management and general	1,096,849	-	-	1,096,849	1,058,908	-	-	1,058,908
Fundraising	929,811	-	-	929,811	910,262	-	-	910,262
Total Expenses	7,804,529	-	-	7,804,529	7,373,932	-	-	7,373,932
<b>CHANGE IN NET ASSETS</b>								
NET ASSETS - Beginning of year	294,658	2,372	-	297,030	74,458	4,025	-	78,483
NET ASSETS - END OF YEAR	4,517,485	7,172	200,000	4,724,657	4,443,027	3,147	200,000	4,646,174
	\$ 4,812,143	\$ 9,544	\$ 200,000	\$ 5,021,687	\$ 4,517,485	\$ 7,172	\$ 200,000	\$ 4,724,657

See accompanying notes to financial statements.

**CARINGBRIDGE**

STATEMENTS OF FUNCTIONAL EXPENSES  
For the Years Ended December 31, 2017 and 2016

	2017			2016				
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Accounts receivable	\$ 3,073,919	\$ 307,565	\$ 470,565	\$ 3,852,049	\$ 2,518,191	\$ 332,202	\$ 394,009	\$ 3,244,402
Salaries and wages	603,504	98,427	110,298	812,229	503,266	90,684	79,897	673,847
Payroll taxes and employee benefits expense	3,677,423	405,992	580,863	4,664,278	3,021,457	422,886	473,906	3,918,249
<b>Total Salaries and Related Expenses</b>								
Professional fees	-	84,737	-	84,737	-	65,148	-	65,148
Website development and support	538,682	2,029	63,394	604,105	468,919	2,140	71,800	542,859
Contracted services	270,957	238,044	22,000	531,001	442,247	217,444	31,150	690,841
Outreach programs	758,918	3,385	10,917	773,220	812,887	6,840	20,680	840,407
Fundraising expense	-	-	70,000	70,000	-	-	69,500	69,500
Service materials	1,135	47	35,624	36,806	2,786	213	49,436	52,435
Travel expenses	2,916	11,731	18,833	33,480	9,809	8,449	11,118	29,376
Insurance	26,120	2,613	3,999	32,732	24,867	3,280	3,891	32,038
Licenses and permits	-	22,121	2,670	24,791	-	17,423	8,500	25,923
Supplies and equipment	27,790	2,781	4,254	34,825	36,840	4,860	5,764	47,464
Postage and shipping	1,277	5,160	83,268	89,705	2,067	5,290	130,321	137,678
Telephone	6,945	695	1,063	8,703	6,731	888	1,053	8,672
Depreciation and amortization	356,756	10,624	16,255	383,635	388,795	3,228	3,829	395,852
Occupancy	108,900	10,896	16,671	136,467	186,153	24,557	29,126	239,836
Donation credit card fees	-	289,058	-	289,058	-	268,189	-	268,189
Miscellaneous	50	6,936	-	6,986	1,204	8,073	188	9,465
<b>TOTAL EXPENSES</b>	<b>\$ 5,777,869</b>	<b>\$ 1,096,849</b>	<b>\$ 929,811</b>	<b>\$ 7,804,529</b>	<b>\$ 5,404,762</b>	<b>\$ 1,058,908</b>	<b>\$ 910,262</b>	<b>\$ 7,373,932</b>

See accompanying notes to financial statements.

## CARINGBRIDGE

### STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2017 and 2016

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 297,030	\$ 78,483
Accounts receivable		
Depreciation and amortization	383,635	395,852
Loss on disposal of fixed assets	-	1,551
Amortization of deferred leasehold improvements	(71,839)	(11,973)
Restricted contributions for the purchase of property and equipment	(40,000)	(90,000)
Unrealized loss on investments	6,718	3,916
Unrealized loss on endowment investments	21,491	15,741
Changes in assets and liabilities:		
Inventory	555	1,009
Accounts receivable	(15,986)	-
Prepaid expenses	(40,594)	45,920
Accounts payable	(19,010)	(93,284)
Accrued expenses	4,288	103,566
Net cash flows from operating activities	526,288	450,781
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(538,312)	(129,420)
Purchases of fixed assets	(13,773)	(602,831)
Proceeds from sale of fixed assets	-	1,800
Net cash flows from investing activities	(552,085)	(730,451)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Restricted contributions received for the purchase of property and equipment	40,000	90,000
Payments on capital lease liability	(73,582)	(18,396)
Net cash flows from financing activities	(33,582)	71,604
<b>Net Change in Cash and Cash Equivalents</b>	(59,379)	(208,066)
CASH AND CASH EQUIVALENTS - Beginning of year	3,521,292	3,729,358
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 3,461,913</b>	<b>\$ 3,521,292</b>
<b>SUPPLEMENTAL INFORMATION</b>		
Property additions included in accounts payable	\$ -	\$ 1,479
Purchase of fixed assets through capital lease and deferred leasehold improvements	\$ -	\$ 524,321

See accompanying notes to financial statements.



# CARINGBRIDGE

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended December 31, 2017 and 2016

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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 our compassionate donors, anyone, anywhere can create a free personal website to easily share updates and receive the love and strength they need from their community during an illness or injury. You can start a free personal website to share important information quickly during any type of health crisis.

### 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, we put our users' needs first. Through a CaringBridge website you 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. Because family and friends care, questions and phone calls won't stop and stuff begins to pile up. 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 740,000 CaringBridge websites have been created. Combined, they have received more than two billions visits. In 2017, 27.1 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, 2017 and 2016

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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 three 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:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by CaringBridge.

#### *Revenue Recognition*

Revenues from sources other than contributions are generally reported as increases in unrestricted net assets. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Contributions 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 temporary 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 between the applicable classes of net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Donor-restricted contributions whose restrictions are met in the same reporting period are reported as temporarily restricted revenues and released to unrestricted 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) totaled \$147,553.

#### *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.

# CARINGBRIDGE

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2017 and 2016

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

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#### *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 gains pertaining to certain restricted net assets are recorded as temporarily restricted 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 \$500.

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.

When the projects are ready for their intended use, the Company amortizes such costs over their estimated useful lives of three years. Estimated amortization expense remaining for the 2016 application modernization is \$176,788 and \$103,126 for the years ending December 31, 2018 and 2019, respectively.

Contributions of fixed assets related to the website are reported as increases in temporarily restricted net assets. Restrictions are considered met and an appropriate amount reclassified to unrestricted net assets, when the asset is placed in service.

# CARINGBRIDGE

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2017 and 2016

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

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#### *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 year ended December 31, 2017. For the year ended December 31, 2016, the Organization has recorded unrelated business income tax of \$2,877, which is included in management and general expense on the statement of activities, as a result of revenue generated from arrangements for which the Organization has deemed to be unrelated business activities.

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, 2017 and 2016. 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, 2017 and 2016

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

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#### *Recent Accounting Pronouncement*

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers. This new guidance outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. ASU 2014-09 is effective date for fiscal years beginning after December 15, 2018. Early application is permitted for fiscal years beginning after December 15, 2016. The Organization is assessing the impact this new standard will have on its financial statements.

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.

In August 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The new guidance improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The Organization is assessing the impact this standard will have on its financial statements.

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### **NOTE 2 - 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.

# CARINGBRIDGE

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2017 and 2016

### **NOTE 2 - Fair Value Measurements and Investments (Continued)**

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.

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, 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
<b>Total</b>	<b>\$ 1,282,548</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,282,548</b>

- <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.

# CARINGBRIDGE

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2017 and 2016

### **NOTE 2 - Fair Value Measurements and Investments (Continued)**

The following table presents information about the Organization's assets measured at fair value on a recurring basis as of December 31, 2016 based upon the three-tier hierarchy:

	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>				
Investments <sup>(1)</sup>				
Corporate bonds	\$ 439,164	\$ -	\$ -	\$ 439,164
Treasury securities	21,434	-	-	21,434
Government securities	60,140	-	-	60,140
Money market	79,517	-	-	79,517
Endowment Investments <sup>(1)</sup>				
Corporate bonds	124,532	-	-	124,532
Money market	5,928	-	-	5,928
	<u>\$ 730,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 730,715</u>
Total	<u>\$ 730,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 730,715</u>

<sup>(1)</sup> Excluded from the table above are certificates of deposits of \$18,309 and \$76,712, which are recorded in investments and endowment investments, respectively, on the statement of financial position as of December 31, 2016.

Investment Income for the years ending December 31, 2017 and 2016 was as follows:

	2017	2016
Interest, dividends and realized gains	\$ 46,530	\$ 35,670
Unrealized losses	(28,209)	(19,657)
	<u>\$ 18,321</u>	<u>\$ 16,013</u>
Total investment income	<u>\$ 18,321</u>	<u>\$ 16,013</u>

# CARINGBRIDGE

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2017 and 2016

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### **NOTE 3 - 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, 2017 and 2016 under this lease (and the Organization's previous office space lease) was \$140,941 and \$235,646, 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:

Year ending December 31:	Future Minimum Rental Payments
2018	\$ 142,313
2019	147,551
2020	152,789
2021	158,028
2022	<u>13,533</u>
Total	<u>\$ 614,214</u>

#### **Capital Lease**

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

Furniture and equipment	\$ 147,167
Less: Accumulated amortization	<u>(34,339)</u>
Total	<u>\$ 112,828</u>

The furniture lease requires 24 monthly payments of \$6,132 with 0% interest. Future lease payments under this lease are \$55,189 for the year ending December 31, 2018.



# CARINGBRIDGE

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2017 and 2016

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### NOTE 4 - 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, 2017 and 2016, respectively:

	<u>2017</u>	<u>2016</u>
Donated professional services	<u>\$ 485,801</u>	<u>\$ 699,643</u>

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### NOTE 5 - Net Assets

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Temporarily restricted donations received in 2017 and 2016 of \$40,000 and \$90,000, respectively, related to the transformation of the Organization's website and healing research. Temporarily restricted net assets for the transformation of the Organizations' website of \$40,000 and \$90,000 were released from restriction in 2017 and 2016, respectively.

A permanently restricted donation was received during 2011 in the amount of \$200,000 for the establishment of an endowment. See Note 6.

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### NOTE 6 - Endowment Funds

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As required by generally accepted accounting principles, net assets 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, 2017 and 2016

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### **NOTE 6 - Endowment Funds (Continued)**

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The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily 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 minimum 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, 2017 and 2016, the Organization had no board-designated funds.

#### *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.

# CARINGBRIDGE

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2017 and 2016

### NOTE 6 - Endowment Funds (Continued)

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

	December 31, 2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Roger and Hazel Perkins Endowment Fund	\$ -	\$ 9,544	\$ 200,000	\$ 209,544

	December 31, 2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Roger and Hazel Perkins Endowment Fund	\$ -	\$ 7,172	\$ 200,000	\$ 207,172

*Changes in Endowment Net Assets*

	Year Ended December 31, 2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment, beginning of year	\$ -	\$ 7,172	\$ 200,000	\$ 207,172
Investment income	-	2,372	-	2,372
Appropriation for expenditures	-	-	-	-
Endowment, end of year	\$ -	\$ 9,544	\$ 200,000	\$ 209,544

	Year Ended December 31, 2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment, beginning of year	\$ -	\$ 3,147	\$ 200,000	\$ 203,147
Investment income	-	4,025	-	4,025
Appropriation for expenditures	-	-	-	-
Endowment, end of year	\$ -	\$ 7,172	\$ 200,000	\$ 207,172

*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, 2017 and 2016.

# CARINGBRIDGE

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2017 and 2016

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### **NOTE 7 - Retirement Plans**

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The Organization's retirement plan, CaringBridge 401(k) Plan, covers all eligible employees. In 2016, the employer contribution structure was changed to a Safe Harbor Qualified Non-Elective Contribution of 3%.

Employer contribution expense totaled \$113,767 and \$96,822 for the years ended December 31, 2017 and 2016, respectively.

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### **NOTE 8 - Subsequent Events**

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The Organization has evaluated subsequent events through March 8, 2018 which is the date that the financial statements were approved and available to be issued.