

CARINGBRIDGE

Eagan, Minnesota

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and For the Years Ended December 31, 2015 and 2014

CARINGBRIDGE

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
CaringBridge
Eagan, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of CaringBridge ("the Organization"), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, 2015 and 2014, 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 11, 2016

CARINGBRIDGE

STATEMENTS OF FINANCIAL POSITION As of December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,729,358	\$ 2,394,876
Inventory	2,864	2,948
Prepaid expenses	85,961	164,415
Total Current Assets	<u>3,818,183</u>	<u>2,562,239</u>
OTHER ASSETS		
Endowment investments	203,147	199,585
Investments	512,826	500,870
Other assets	13,333	13,333
Fixed assets		
Furniture and equipment	686,557	656,613
Leasehold improvements	23,531	23,531
Website and mobile phone applications	1,740,942	1,740,941
Less: Amortization and depreciation	<u>(2,047,437)</u>	<u>(1,645,360)</u>
Total Fixed Assets	403,593	775,725
Total Other Assets	<u>1,132,899</u>	<u>1,489,513</u>
TOTAL ASSETS	<u>\$ 4,951,082</u>	<u>\$ 4,051,752</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 183,230	\$ 70,424
Accrued expenses	<u>121,678</u>	<u>233,785</u>
Total Current Liabilities	304,908	304,209
NET ASSETS		
Unrestricted	4,443,027	3,547,543
Temporarily restricted	3,147	-
Permanently restricted	<u>200,000</u>	<u>200,000</u>
Total Net Assets	<u>4,646,174</u>	<u>3,747,543</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,951,082</u>	<u>\$ 4,051,752</u>

See accompanying notes to financial statements.

CARINGBRIDGE

STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2015 and 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND OTHER SUPPORT								
Contributions	\$ 6,601,934	\$ 65,000	\$ -	\$ 6,666,934	\$ 6,337,933	\$ 104,145	\$ -	\$ 6,442,078
Donated services	585,422	-	-	585,422	604,310	-	-	604,310
Investment income	15,761	3,147	-	18,908	3,142	(794)	-	2,348
Other income	100,404	-	-	100,404	59,688	-	-	59,688
Unrelated business income	21,189	-	-	21,189	3,539	-	-	3,539
Net assets released from restrictions	65,000	(65,000)	-	-	129,145	(129,145)	-	-
Total Revenue and Other Support	<u>7,389,710</u>	<u>3,147</u>	<u>-</u>	<u>7,392,857</u>	<u>7,137,757</u>	<u>(25,794)</u>	<u>-</u>	<u>7,111,963</u>
EXPENSES								
Program expenses	4,751,296	-	-	4,751,296	5,984,023	-	-	5,984,023
Management and general	910,527	-	-	910,527	934,923	-	-	934,923
Fundraising	832,403	-	-	832,403	715,296	-	-	715,296
Total Expenses	<u>6,494,226</u>	<u>-</u>	<u>-</u>	<u>6,494,226</u>	<u>7,634,242</u>	<u>-</u>	<u>-</u>	<u>7,634,242</u>
CHANGE IN NET ASSETS	895,484	3,147	-	898,631	(496,485)	(25,794)	-	(522,279)
NET ASSETS - Beginning of year	<u>3,547,543</u>	<u>-</u>	<u>200,000</u>	<u>3,747,543</u>	<u>4,044,028</u>	<u>25,794</u>	<u>200,000</u>	<u>4,269,822</u>
NET ASSETS - END OF YEAR	<u>\$ 4,443,027</u>	<u>\$ 3,147</u>	<u>\$ 200,000</u>	<u>\$ 4,646,174</u>	<u>\$ 3,547,543</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 3,747,543</u>

See accompanying notes to financial statements.

CARINGBRIDGE

STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2015 and 2014

	2015				2014			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 2,176,813	\$ 331,421	\$ 325,844	\$ 2,834,078	\$ 3,327,382	\$ 394,705	\$ 309,279	\$ 4,031,366
Payroll taxes and employee benefits expense	442,815	38,757	71,828	553,400	693,009	84,357	74,635	852,001
Total Salaries and Related Expenses	2,619,628	370,178	397,672	3,387,478	4,020,391	479,062	383,914	4,883,367
Professional fees	-	60,956	-	60,956	-	47,425	-	47,425
Website development and support	404,129	1,426	51,450	457,005	540,367	13,304	44,194	597,865
Contracted services	83,248	93,338	33,700	210,286	54,461	99,873	750	155,084
Outreach programs	959,641	6,613	49,026	1,015,280	665,805	-	68,727	734,532
Fundraising expense	-	-	67,145	67,145	-	-	87,951	87,951
Service materials	4,840	61	45,183	50,084	4,622	3,667	6,687	14,976
Trade shows and events	-	-	-	-	-	-	975	975
Travel expenses	8,632	12,424	5,502	26,558	362	8,148	2,724	11,234
Insurance	22,505	3,426	3,369	29,300	26,470	3,140	2,460	32,070
Licenses and permits	-	18,249	8,500	26,749	159	17,994	15,571	33,724
Supplies and equipment	25,882	3,941	3,874	33,697	34,225	4,060	3,181	41,466
Postage and shipping	4,325	8,177	131,542	144,044	3,315	6,588	73,815	83,718
Telephone	6,389	973	956	8,318	7,476	887	695	9,058
Depreciation and amortization	405,496	3,622	3,561	412,679	404,381	3,851	3,018	411,250
Occupancy	206,581	31,452	30,923	268,956	221,989	26,333	20,634	268,956
Donation credit card fees	-	292,160	-	292,160	-	216,898	-	216,898
Miscellaneous	-	3,531	-	3,531	-	3,693	-	3,693
TOTAL EXPENSES	\$ 4,751,296	\$ 910,527	\$ 832,403	\$ 6,494,226	\$ 5,984,023	\$ 934,923	\$ 715,296	\$ 7,634,242

See accompanying notes to financial statements.

CARINGBRIDGE

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 898,631	\$ (522,279)
Adjustments to reconcile change in net assets to net cash flows from		
Depreciation and amortization	412,679	411,250
Gain on disposal of fixed assets	(1,350)	(2,562)
Restricted contributions for the purchase of property and equipment	-	(104,145)
Realized and unrealized gain on investments	(11,956)	(870)
Realized and unrealized (gain) loss on endowment investments	(3,562)	1,209
Changes in assets and liabilities:		
Inventory	84	1,248
Prepaid expenses	78,454	(65,046)
Accounts payable	112,806	(2,889)
Accrued expenses	(112,107)	76,418
Net cash flows from operating activities	1,373,679	(207,666)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	-	(500,000)
Purchases of fixed assets	(40,547)	(348,940)
Proceeds from sale of fixed assets	1,350	2,950
Net cash flows from investing activities	(39,197)	(845,990)
CASH FLOWS FROM FINANCING ACTIVITIES		
Restricted contributions for the purchase of property and equipment	-	104,145
Net cash flows from financing activities	-	104,145
Net Change in Cash and Cash Equivalents	1,334,482	(949,511)
CASH AND CASH EQUIVALENTS - Beginning of year	2,394,876	3,344,387
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,729,358	\$ 2,394,876

See accompanying notes to financial statements.

CARINGBRIDGE

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2015 and 2014

NOTE 1 - Summary of Significant Accounting Policies

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. Through CaringBridge you can start a personal website to share important information quickly during any type of health event. Family and friends can stay informed without overwhelming you with endless phone calls, emails and text messages. Plus they can post messages, photos and videos of support and encouragement straight to your website. Thanks to the generosity of donors, personal CaringBridge websites are available to anyone, anywhere, cost free.

Benefits of use:

Save time with one update: CaringBridge eases the communication burden and helps family and friends keep in touch.

Dedicated to your health journey: A personal CaringBridge website is a place to share health updates, photos and videos with the people who care about your health journey.

Private, protected and ad-free: You're in control of your privacy settings, so your website is as private or public as you want it to be. Your 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: The built-in calendar helps family and friends coordinate care and organize daily tasks, such as bringing you meals, taking care of your children or pets, or driving you to appointments.

Since 1997, more than 600,000 CaringBridge websites have been created. Combined, they have received two billions visits. In 2015, 33 million people visited CaringBridge to support their family and friends during a health journey. Today, every 7 minutes a CaringBridge website is created for someone experiencing a health event.

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.

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NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2015 and 2014

NOTE 1 - Summary of Significant Accounting Policies (Continued)

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.

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.

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 (3 years for the website and mobile phone applications and 3 to 7 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.

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NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2015 and 2014

NOTE 1 - Summary of Significant Accounting Policies (Continued)

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 website and mobile phone applications are \$259,434 and \$65,099 for the years ending December 31, 2016 and 2017, 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, over the useful life of the website.

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.

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, 2015 and 2014. The Organization's tax returns are subject to review and examination by federal and state authorities. The tax returns for the current year as well as fiscal years 2012 through 2014 are open to examination by federal and state authorities. Any interest and penalties would be included in income tax expense on the statements of activities.

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.

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NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2015 and 2014

NOTE 1 - Summary of Significant Accounting Policies (Continued)

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.

NOTE 2 - Fair Value Measurements and Investments

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, U.S. Treasury notes, 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.

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NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2015 and 2014

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, 2015 based upon the three-tier hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
ASSETS				
Investments ⁽¹⁾				
Corporate bonds	\$ 336,198	\$ -	\$ -	\$ 336,198
Money market	93,197	-	-	93,197
Endowment Investments ⁽¹⁾				
Corporate bonds	75,636	-	-	75,636
Money market	50,094	-	-	50,094
Total	\$ 555,125	\$ -	\$ -	\$ 555,125

⁽¹⁾ Excluded from the table above are certificates of deposits of \$83,431 and \$77,417 which are recorded in investments and endowment investments, respectively, on the statement of financial position as of December 31, 2015.

The following table summarizes financial instruments measured at fair value on a recurring basis by classification within the fair value hierarchy as of December 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
ASSETS				
Investments ⁽¹⁾				
Corporate bonds	\$ 342,451	\$ -	\$ -	\$ 342,451
Money market	22,340	-	-	22,340
Endowment Investments ⁽¹⁾				
Corporate bonds	77,735	-	-	77,735
Money market	4,750	-	-	4,750
Total	\$ 447,276	\$ -	\$ -	\$ 447,276

⁽¹⁾ Excluded from the table above are certificates of deposits of \$136,079 and \$117,100 which are recorded in investments and endowment investments, respectively, on the statement of financial position as of December 31, 2014.

Investment Income for the years ending December 31, 2015 and 2014 was as follows:

	<u>2015</u>	<u>2014</u>
Interest, dividends and realized gains	\$ 32,046	\$ 29,909
Unrealized losses	(13,138)	(27,527)
Investment fees	-	(34)
Total investment income	\$ 18,908	\$ 2,348

The carrying amounts of cash and cash equivalents, receivable, prepaid expenses and other assets, other receivables, accounts payable, and accrued liabilities approximate fair value because of the short-term maturity of these financial instruments.

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NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2015 and 2014

NOTE 3 - Lease Commitments

On October 1, 2008, CaringBridge signed an operating lease for office space. The lease was a 63-month lease with escalating payments with the first three months free. On May 9, 2013, a modified lease agreement was signed to extend the term of the lease until October 31, 2016. Rental expense is recognized on a straight-line basis over the life of the lease. Rent expense for the years ended December 31, 2015 and 2014 under the lease was \$268,956 for both years.

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 \$242,699 for the year ended December 31, 2016:

NOTE 4 - In-Kind Contributions

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 2015 and 2014, the expenses for in-kind services are recorded on the statement of functional expense in website development and support and outreach programs. In-kind contributions consisted of the following during the years ended December 31, 2015 and 2014, respectively:

	<u>2015</u>	<u>2014</u>
Donated professional services	<u>\$ 585,422</u>	<u>\$ 604,310</u>

NOTE 5 - Net Assets

Temporarily restricted donations received in 2015 and 2014 of \$65,000 and \$104,145, respectively, related to healing research and the transformation of the Organization's website and the development of Mobile Applications. Temporarily restricted net assets for healing research of \$10,000 were released from restricted net assets in 2015. Temporarily restricted net assets for the transformation of the Organizations' website of \$55,000 and \$89,145 were released from restriction in 2015 and 2014, respectively. Temporarily restricted net assets of \$40,000 were released from restriction in 2014 as the new Mobile Applications were launched.

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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NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2015 and 2014

NOTE 6 - Endowment Funds

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.

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, 2015 and 2014, 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.

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NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2015 and 2014

NOTE 6 - Endowment Funds (Continued)

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.

Endowment and Restricted Net Asset Composition by Type of Fund

	December 31, 2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Roger and Hazel Perkins Endowment Fund	\$ -	\$ 3,147	\$ 200,000	\$ 203,147
	December 31, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Roger and Hazel Perkins Endowment Fund	\$ (415)	\$ -	\$ 200,000	\$ 199,585

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NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2015 and 2014

NOTE 6 - Endowment Funds (Continued)

Changes in Endowment Net Assets

	Year Ended December 31, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment, beginning of year	\$ (415)	\$ -	\$ 200,000	\$ 199,585
Endowment gift	-	-	-	-
Investment income	415	3,147	-	3,562
Appropriation for expenditures	-	-	-	-
Endowment, end of year	<u>\$ -</u>	<u>\$ 3,147</u>	<u>\$ 200,000</u>	<u>\$ 203,147</u>

	Year Ended December 31, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment, beginning of year	\$ -	\$ 794	\$ 200,000	\$ 200,794
Endowment gift	-	-	-	-
Investment income	(415)	(794)	-	(1,209)
Appropriation for expenditures	-	-	-	-
Endowment, end of year	<u>\$ (415)</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 199,585</u>

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 was a \$415 deficiency reducing unrestricted net assets recorded at December 31, 2014. There were no such deficiencies at December 31, 2015.

NOTE 7 - Retirement Plans

The Organization's retirement plan, CaringBridge 401(k) Plan, covers all eligible employees. The plan provides for a non-elective 1 % employer contribution and a 50% percent matching contribution up to 4%.

Employer contribution expense totaled \$80,232 and \$111,049 for the years ended December 31, 2015 and 2014, respectively. The employer contribution expense is the employer contributions net of employee forfeitures of \$35,922 and \$0 and for the years ended December 31, 2015 and 2014, respectively.

NOTE 8 - Subsequent Events

The Organization has evaluated subsequent events through March 11, 2016 which is the date that the financial statements were approved and available to be issued.