

CaringBridge

Financial Statements

December 31, 2020 and 2019

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Independent Auditors' Report

To the Board of Directors of
CaringBridge

We have audited the accompanying financial statements of CaringBridge (the Organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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, 2020 and 2019, 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.



Minneapolis, Minnesota
March 4, 2021

CaringBridge

Statements of Financial Position

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,279,616	\$ 1,672,517
Accounts receivable	34,701	127,602
Inventory	2,006	2,707
Prepaid expenses	175,773	118,435
	<u>3,492,096</u>	<u>1,921,261</u>
Total current assets		
Other Assets		
Endowment investments	222,398	219,470
Investments	1,219,285	1,181,194
Other assets	15,300	15,300
Fixed assets:		
Furniture and equipment	361,761	364,272
Leasehold improvements	423,458	423,458
Website and mobile phone applications	2,657,113	2,657,113
Less amortization and depreciation	(3,190,036)	(2,934,720)
	<u>252,296</u>	<u>510,123</u>
Total fixed assets		
	<u>252,296</u>	<u>510,123</u>
Total other assets	<u>1,709,279</u>	<u>1,926,087</u>
Total assets	<u>\$ 5,201,375</u>	<u>\$ 3,847,348</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 190,611	\$ 139,642
Accrued expenses	164,274	389,925
Deferred grant revenue	-	118,784
	<u>354,885</u>	<u>648,351</u>
Total current liabilities		
	<u>354,885</u>	<u>648,351</u>
Long-Term Liabilities		
Deferred leasehold improvements	77,826	149,664
	<u>77,826</u>	<u>149,664</u>
Total long-term liabilities		
	<u>77,826</u>	<u>149,664</u>
Total liabilities	<u>432,711</u>	<u>798,015</u>
Net Assets		
Without donor restrictions	4,546,266	2,829,863
With donor restrictions	222,398	219,470
	<u>4,768,664</u>	<u>3,049,333</u>
Total net assets		
	<u>4,768,664</u>	<u>3,049,333</u>
Total liabilities and net assets	<u>\$ 5,201,375</u>	<u>\$ 3,847,348</u>

See notes to financial statements

CaringBridge

Statements of Activities

Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support						
Contributions	\$ 10,166,823	\$ 118,784	\$ 10,285,607	\$ 8,493,712	\$ 1,029,867	\$ 9,523,579
GoFundMe revenue	197,786	-	197,786	203,355	-	203,355
Donated services	749,972	-	749,972	787,078	-	787,078
Investment income	44,950	2,928	47,878	69,380	7,213	76,593
Other income	4,392	-	4,392	1,445	-	1,445
Paycheck Protection Program Loan debt forgiveness	931,428	-	931,428	-	-	-
Net assets released from restrictions	118,784	(118,784)	-	1,029,867	(1,029,867)	-
Total revenue and other support	12,214,135	2,928	12,217,063	10,584,837	7,213	10,592,050
Expenses						
Program expenses	8,556,702	-	8,556,702	9,704,435	-	9,704,435
Management and general	1,074,959	-	1,074,959	1,137,803	-	1,137,803
Fundraising	866,071	-	866,071	982,727	-	982,727
Total expenses	10,497,732	-	10,497,732	11,824,965	-	11,824,965
Change in net assets	1,716,403	2,928	1,719,331	(1,240,128)	7,213	(1,232,915)
Net Assets, Beginning	2829863	219470	3,049,333	4,069,991	212,257	4,282,248
Net Assets, Ending	\$ 4,546,266	\$ 222,398	\$ 4,768,664	\$ 2,829,863	\$ 219,470	\$ 3,049,333

See notes to financial statements

CaringBridgeStatements of Functional Expenses
Years Ended December 31, 2020 and 2019

	2020				2019			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 4,415,344	\$ 439,737	\$ 405,853	\$ 5,260,934	\$ 4,062,673	\$ 434,755	\$ 437,264	\$ 4,934,692
Payroll taxes and employee benefits	785,239	80,932	72,071	938,242	853,100	104,999	94,241	1,052,340
Total salaries and related expenses	5,200,583	520,669	477,924	6,199,176	4,915,773	539,754	531,505	5,987,032
Professional fees	-	34,126	90,000	124,126	-	43,797	90,000	133,797
Website development and support	621,332	39,138	37,123	697,593	731,739	34,225	45,520	811,484
Contracted services	1,137,821	75,103	33,419	1,246,343	1,804,156	127,183	45,352	1,976,691
Outreach programs	1,158,199	-	13,564	1,171,763	1,661,717	-	25,026	1,686,743
Service materials	5,127	7	64,769	69,903	8,759	15	53,052	61,826
Travel	5,179	5,106	1,705	11,990	28,592	16,117	13,580	58,289
Insurance	27,258	2,657	2,506	32,421	27,631	2,685	2,974	33,290
Licenses and permits	1,770	18,337	7,341	27,448	2,519	18,008	8,984	29,511
Supplies and equipment	15,672	1,528	1,440	18,640	42,113	4,092	4,533	50,738
Postage and shipping	1,532	5,899	114,898	122,329	2,248	6,741	137,361	146,350
Telephone	271	26	25	322	5,017	487	540	6,044
Depreciation and amortization	238,551	9,921	9,355	257,827	340,859	10,069	11,154	362,082
Occupancy	130,569	12,728	12,002	155,299	122,137	11,868	13,146	147,151
Donation credit card fees	-	340,776	-	340,776	-	312,529	-	312,529
Miscellaneous	12,838	8,938	-	21,776	11,175	10,233	-	21,408
Total expenses	8556702	1074959	\$ 866,071	\$ 10,497,732	\$ 9,704,435	\$ 1,137,803	\$ 982,727	\$ 11,824,965

See notes to financial statements

CaringBridge

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 1,719,331	\$ (1,232,915)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	257,827	362,082
Gain on disposal of assets	(175)	(916)
Amortization of deferred leasehold improvements	(71,838)	(71,839)
Unrealized gain on investments	(38,091)	(52,283)
Unrealized gain on endowment investments	(2,928)	(7,213)
Changes in assets and liabilities:		
Inventory	701	(1,836)
Accounts receivable	92,901	(114,062)
Prepaid expenses	(57,338)	3,042
Accounts payable	50,969	(330,723)
Accrued expenses	(225,651)	3,043
Deferred grant revenue	(118,784)	(1,029,867)
Net cash flows from operating activities	<u>1,606,924</u>	<u>(2,473,487)</u>
Cash Flows From Investing Activities		
Purchases of fixed assets	-	(14,612)
Proceeds from sale of assets	175	1,250
Net cash flows from investing activities	<u>175</u>	<u>(13,362)</u>
Net change in cash and cash equivalents	1,607,099	(2,486,849)
Cash and Cash Equivalents, Beginning	<u>1,672,517</u>	<u>4,159,366</u>
Cash and Cash Equivalents, Ending	<u>\$ 3,279,616</u>	<u>\$ 1,672,517</u>

See notes to financial statements

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. 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

A free CaringBridge website has all the tools needed to keep family and friends updated during a difficult time. 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.

Since June 7, 1997, nearly 900,000 CaringBridge websites have been created. Combined, they have received more than 2.5 billion visits. In 2020, more than 43 million people visited CaringBridge to support their family and friends during a health journey. Today, every 12 minutes a new CaringBridge website is created for someone experiencing a health journey.

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, 2020 and 2019.

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 and a right of return or release from future obligations are recorded as conditional contributions. Conditional contributions are not recognized until they become unconditional, that is, when the conditions surrounding the indications of the barrier have been met.

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, 2020 and 2019 totaled \$173,062 and \$146,735, respectively.

The Organization recognizes contract revenue at an amount that reflects consideration to which the Organization expects to be entitled to in exchange for transferring goods or services to a customer. There is currently one type of contract that the Organization is engaged, which is based on performance reporting. Due to the nature and varying performance obligations of these contracts, the timing and methods of recognizing revenue from these contracts will vary. For performance reporting contracts, a customer pays the agreed upon amounts after the completion and submission of specified deliverables in the contract. For these contracts, the Organization will allocate the transaction price of the contract to the specific performance obligations based on the contract. The Organization recognizes revenue when the performance obligations are met and delivered to the customer. The Organization had one contract during 2020 and 2019 that was a performance reporting contract. There are no contract assets or liabilities.

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 payment-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 restrictions 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.

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 Organization amortizes such costs over their estimated useful lives of three years. There is no estimated amortization expense remaining for the 2016 application modernization for the year ending December 31, 2020. Estimated amortization expense remaining for the 2018 application modernization is \$117,885 for the year ending December 31, 2021.

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, 2020 and 2019.

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, 2020 and 2019. 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.

Recent Accounting Pronouncements Not Yet Effective

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. The ASU is effective for fiscal years beginning after December 15, 2021 (2022). 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 currently assessing the effect that this standard will have on its financial statements.

In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard will be required to be applied retrospectively for annual periods beginning after June 15, 2021 (2022). Early adoption is permitted. The Organization is currently assessing the effect that this standard will have on its financial statements.

Reclassifications

Certain amounts appearing in the 2019 financial statements have been reclassified to conform with the 2020 presentation. The reclassifications have no effect on the reported amounts of total net assets or changes in total net assets.

2. Liquidity and Availability

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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,279,616	\$ 1,672,517
Less amounts included in cash for conditional contributions received	-	(118,784)
Accounts receivable	34,701	127,602
Investments without donor restrictions	<u>1,219,285</u>	<u>1,181,195</u>
Total financial assets available to meet cash needs for general expenses within one year	<u>\$ 4,533,602</u>	<u>\$ 2,862,530</u>

The Organization's practice is to structure its financial assets to be available as its general expenses, liabilities and obligations come due. Cash in excess of daily requirements is typically invested in short-term, liquid securities.

3. 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, Treasury securities, government securities, and money market funds for which quoted prices are readily available.

CaringBridge

Notes to Financial Statements

December 31, 2020 and 2019

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, 2020 based upon the three-tier hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Investments:				
Corporate bonds	\$ 667,503	\$ -	\$ -	\$ 667,503
Treasury securities	25,993	-	-	25,993
Government securities	8,034	-	-	8,034
Money market	517,755	-	-	517,755
Endowment investments:				
Corporate bonds	39,064	-	-	39,064
Money market	183,334	-	-	183,334
Total	<u>\$ 1,441,683</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,441,683</u>

The following table presents information about the Organization's assets measured at fair value on a recurring basis as of December 31, 2019 based upon the three-tier hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Investments:				
Corporate bonds	\$ 712,236	\$ -	\$ -	\$ 712,236
Treasury securities	71,766	-	-	71,766
Government securities	21,351	-	-	21,351
Money market	375,842	-	-	375,842
Endowment investments:				
Corporate bonds	88,257	-	-	88,257
Money market	131,212	-	-	131,212
Total	<u>\$ 1,400,664</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,400,664</u>

Investment income for the years ending December 31, 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Interest, dividends and realized gains	\$ 6,859	\$ 17,097
Unrealized gains	41,019	59,496
Total investment income	<u>\$ 47,878</u>	<u>\$ 76,593</u>

4. Lease Commitments

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, 2020 and 2019 under this lease was \$152,789 and \$147,551, 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>
Years ending December 31:	
2021	\$ 158,028
2022	13,533
Total	<u>\$ 171,561</u>

5. 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 statement of financial position 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Donated services	\$ 749,972	\$ 787,078

6. Deferred Grant Revenue and Conditional Contributions

Deferred grant revenue totaling \$118,784 at December 31, 2019, relates 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.

7. Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2020 and 2019 consisted of funds held in a donor restricted endowment fund (see Note 8).

Net assets with donor restrictions released from restriction in 2020 and 2019 of \$118,784 and \$1,029,867, respectively, related to a grant funded project restricted for program purposes.

8. Endowment Funds

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 net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The donor restricted endowment fund is classified as net assets with donor restrictions 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, 2020 and 2019, the Organization had no board-designated funds. Donor restricted endowment funds to be held in perpetuity are \$200,000 at December 31, 2020 and 2019.

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 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, as determined by the Board. The spending percentage will generally be no less than three percent (3%) and no greater than six percent (6%). 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. Furthermore, in the event the spendable amount calculated may over time materially impact the income generating ability of the endowment, as determined by the Chief Financial Officer, no spendable amount will be calculated for the year. 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 elected not to take an appropriation in 2020 and 2019.

Endowment and Restricted Net Asset Composition by Type of Fund

	December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Roger and Hazel Perkins Endowment Fund	\$ -	\$ 222,398	\$ 222,398
	December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Roger and Hazel Perkins Endowment Fund	\$ -	\$ 219,470	\$ 219,470

Changes in Endowment Net Assets

	December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment, beginning of year	\$ -	\$ 219,470	\$ 219,470
Investment income	-	2,928	2,928
Appropriation for expenditures	-	-	-
Endowment, end of year	<u>\$ -</u>	<u>\$ 222,398</u>	<u>\$ 222,398</u>
	December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment, beginning of year	\$ -	\$ 212,257	\$ 212,257
Investment income	-	7,213	7,213
Appropriation for expenditures	-	-	-
Endowment, end of year	<u>\$ -</u>	<u>\$ 219,470</u>	<u>\$ 219,470</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 were no such deficiencies at December 31, 2020 and 2019.

9. Retirement Plans

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 percent.

Employer contribution expense totaled \$156,630 and \$143,202 for the years ended December 31, 2020 and 2019, respectively.

10. Paycheck Protection Program (PPP) Loan

On April 9, 2020, the Organization entered into a new loan facility with Bremer Bank under the recent government-enacted Paycheck Protection Program (PPP) (part of the Coronavirus Aid, Relief and Economic Stability Act) administered by the Small Business Administration. The Organization borrowed \$931,300 under the loan facility. The loan carried a fixed interest rate of 1 percent and was scheduled to mature on April 9, 2022. No payments were required for the first six months. Subsequent regulations deferred payments until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within ten months after the covered period, then payment of principal and interest shall begin on that date. Borrowings under this facility were unsecured. Loans under the PPP have a loan forgiveness feature based on the level of payroll, rent and utilities costs over a twenty-four week period commencing on the date of the loan. On November 25, 2020, the loan and related interest was forgiven. The total amount of forgiveness of \$931,428 is recorded as revenue in the December 31, 2020 statement of activities.

11. Subsequent Events

The Organization has evaluated subsequent events through March 4, 2021, which is the date that the financial statements were approved and available to be issued.