



AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2020

**Caring Network, NFP**  
**Audit Report**  
**For the Year Ended June 30, 2020**

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# Selden Fox

Accounting for your future

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Caring Network, NFP  
of DuPage County, Inc.  
Glen Ellyn, Illinois

We have audited the accompanying financial statements of **Caring Network, NFP** which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Caring Network, NFP as of June 30, 2019, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Caring Network, NFP's financial statements as of and for the year ended June 30, 2019, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 21, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Selden Fox, Ltd.*

September 22, 2020

**Caring Network, NFP**  
**Statement of Financial Position**  
**June 30, 2020**  
(With Comparative Totals for 2019)

<b>Assets</b>	<b>2020</b>	<b>2019</b>
Cash	\$ 1,919,652	\$ 1,462,151
Certificates of deposit	-	245,000
Unconditional promises to give	9,000	15,000
Prepaid expenses and other	63,695	69,027
Furniture, equipment and improvements, at cost, less accumulated depreciation of \$452,471 (\$437,451 at June 30, 2019)	<u>342,733</u>	<u>149,055</u>
<b>Total assets</b>	<b><u>\$ 2,335,080</u></b>	<b><u>\$ 1,940,233</u></b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 84,405	\$ 83,489
Paycheck Protection Program loan	212,865	-
Capital lease obligation	<u>6,460</u>	<u>7,881</u>
<b>Total liabilities</b>	<b><u>\$303,730</u></b>	<b><u>\$91,370</u></b>
Net assets:		
Net assets without donor restrictions:		
Operating Fund	1,312,751	1,184,059
Capital Fund	<u>342,733</u>	<u>149,055</u>
<b>Total net assets without donor restrictions</b>	<b><u>1,655,484</u></b>	<b><u>1,333,114</u></b>
Net assets with donor restrictions	<u>375,866</u>	<u>515,749</u>
<b>Total net assets</b>	<b><u>2,031,350</u></b>	<b><u>1,848,863</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 2,335,080</u></b>	<b><u>\$ 1,940,233</u></b>

See accompanying notes.

**Caring Network, NFP**  
**Statement of Activities**  
**For the Year Ended June 30, 2020**  
(With Comparative Totals for 2019)

	<b>2020</b>			<b>2019</b>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
Revenues:				
Contributions	\$ 503,338	\$ 129,144	\$ <b>632,482</b>	\$ 604,182
Church offerings	179,721	-	<b>179,721</b>	297,508
Foundation grants	36,000	31,000	<b>67,000</b>	35,000
Newsletter and appeals	269,931	-	<b>269,931</b>	183,708
Interest and dividends	7,971	-	<b>7,971</b>	8,729
In-kind contributions	63,200	-	<b>63,200</b>	-
Other	673	-	<b>673</b>	3,713
	<u>1,060,834</u>	<u>160,144</u>	<u><b>1,220,978</b></u>	<u>1,132,840</u>
Fund-raisers:				
Revenue of special events	618,292	125,467	<b>743,759</b>	766,235
Related expenses of special events	(121,133)	-	<b>(121,133)</b>	(117,697)
<b>Net fund-raising revenues</b>	<u>497,159</u>	<u>125,467</u>	<u><b>622,626</b></u>	<u>648,538</u>
Net assets released from restrictions	425,494	(425,494)	-	-
<b>Total revenues</b>	<u>1,983,487</u>	<u>(139,883)</u>	<u><b>1,843,604</b></u>	<u>1,781,378</u>
Expenses:				
Program services	987,599	-	<b>987,599</b>	806,750
Management and general	280,753	-	<b>280,753</b>	247,222
Fund-raising	392,765	-	<b>392,765</b>	344,348
<b>Total expenses</b>	<u>1,661,117</u>	<u>-</u>	<u><b>1,661,117</b></u>	<u>1,398,320</u>
<b>Change in net assets</b>	322,370	(139,883)	<b>182,487</b>	383,058
Net assets, beginning of the year	1,333,114	515,749	<b>1,848,863</b>	1,465,805
Net assets, end of the year	<u>\$ 1,655,484</u>	<u>\$ 375,866</u>	<u><b>\$ 2,031,350</b></u>	<u>\$ 1,848,863</u>

See accompanying notes.

**Caring Network, NFP**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2020**  
(With Comparative Totals for 2019)

	2020				2019			
	Program Services	Management and General	Fund-raising	Total	Program Services	Management and General	Fund-raising	Total
Expenses:								
Salaries	\$ 545,565	\$ 101,936	\$ 272,502	\$ 920,003	\$ 457,950	\$ 139,532	\$ 222,294	\$ 819,776
Payroll taxes	40,829	7,612	20,760	69,201	35,450	10,762	17,092	63,304
Benefits	57,688	10,755	29,333	97,776	47,011	14,251	22,666	83,928
Consulting fees	-	55,518	-	55,518	-	-	-	-
Occupancy	136,107	28,996	14,335	179,438	109,720	15,478	20,637	145,835
Advertising	85,403	-	-	85,403	72,218	-	-	72,218
Printing and publications	6,257	1,549	18,232	26,038	420	1,011	15,028	16,459
Postage and shipping	1,112	616	4,583	6,311	970	602	6,049	7,621
Professional services	4,473	20,050	20,262	44,785	5,906	26,044	24,304	56,254
Meetings and seminars	1,213	750	1,085	3,048	4,103	-	-	4,103
Travel	2,497	3,016	580	6,093	649	1,265	2,527	4,441
Telephone	11,085	1,470	727	13,282	8,133	1,653	679	10,465
Supplies	19,071	4,524	7,811	31,406	7,657	3,816	9,195	20,668
Insurance	-	11,615	-	11,615	-	10,804	-	10,804
Equipment rental and repair	1,606	12,457	-	14,063	3,739	3,970	-	7,709
Dues and subscriptions	11	5,175	690	5,876	-	3,090	-	3,090
Grants to other organizations	-	-	-	-	10,000	-	-	10,000
Other	-	10,036	1,621	11,657	-	9,170	3,627	12,797
	912,917	276,075	392,521	1,581,513	763,926	241,448	344,098	1,349,472
Depreciation	74,682	4,678	244	79,604	42,824	5,774	250	48,848
<b>Total expenses</b>	<b>\$ 987,599</b>	<b>\$ 280,753</b>	<b>\$ 392,765</b>	<b>\$ 1,661,117</b>	<b>\$ 806,750</b>	<b>\$ 247,222</b>	<b>\$ 344,348</b>	<b>\$ 1,398,320</b>

See accompanying notes.

**Caring Network, NFP**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2020**  
(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 182,487	\$ 383,058
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	79,604	48,848
Noncash contributions	(63,200)	-
Amortization of promised use of office space	-	338
Changes in operating assets and liabilities:		
Unconditional promises to give	6,000	111,000
Prepaid expenses and other	5,332	(22,394)
Accounts payable and accrued expenses	916	2,907
<b>Net cash from operating activities</b>	<b>211,139</b>	<b>523,757</b>
Cash flows used by investing activities:		
Purchase of furniture, equipment and improvements	(210,082)	(51,309)
Purchase of certificates of deposit	-	(245,000)
Proceeds from maturity of certificates of deposit	245,000	-
<b>Net cash used by investing activities</b>	<b>34,918</b>	<b>(296,309)</b>
Cash flows from financing activities:		
Paycheck Protection Program loan proceeds	212,865	-
Principal payments made on capital lease obligations	(1,421)	(2,108)
<b>Net cash from financing activities</b>	<b>211,444</b>	<b>(2,108)</b>
<b>Net change in cash</b>	<b>457,501</b>	<b>225,340</b>
Cash, beginning of the year	1,462,151	1,236,811
Cash, end of the year	<b>\$ 1,919,652</b>	<b>\$ 1,462,151</b>
<b>Supplemental disclosure of noncash investing and financing activities:</b>		
Additions to property and equipment recorded as a capital lease obligation	\$ -	\$ 8,219

See accompanying notes.



## Caring Network, NFP Notes to the Financial Statements

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### 1. Summary of Significant Accounting Policies

**Organization and Purpose** – Caring Network, NFP (Caring Network) is a Christian organization, first incorporated in 1981, that serves to improve the range and quality of pregnancy counseling and services for families in DuPage County. Caring Network's mission is to educate and provide supportive help in a compassionate setting through community outreach programs.

**Basis of Accounting** – These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on Caring Network as a whole to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions as either net assets without donor restrictions or net assets with donor restrictions, based on existence or absence of donor-imposed restrictions.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Investment income, gains and losses on investments and other assets or liabilities, are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Expiration of restrictions on net assets (i.e., the donor imposed stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period the donor makes the promise to Caring Network. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Upon receipt of a restricted contribution or pledge, net assets with donor restrictions are increased. Contributions or pledges received with donor-imposed restrictions that are met in the same year as received are reported as revenues with donor restrictions. Contributions of exhaustible long-lived assets, or of cash or other assets used to acquire them, without donor-imposed stipulations concerning the use of such long-lived assets, are reported as revenues without donor restrictions.

**Caring Network, NFP**  
**Notes to the Financial Statements (cont'd)**

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**1. Summary of Significant Accounting Policies (cont'd)**

**Use of Estimates** – The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and activities at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

**Certificates of Deposit** – Certificates of deposit, with maturities of more than ninety days are recorded at cost plus accrued interest receivable.

**Property and Equipment** – Depreciation of furniture and equipment is provided by the straight-line method over the estimated useful life of the assets.

**Paycheck Protection Program Loan Payable** – Caring Network has elected to account for its potentially forgivable Paycheck Protection Program loan payable under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 470 *Debt*. Under this guidance, extinguishment of the loan would be recognized as revenue when Caring Network has been legally released as the primary obligor of the loan. This would occur if and when the United States Small Business Administration approves Caring Network's forgiveness application.

**Donated Material, Facilities and Services** – Various individuals and organizations donate materials, facilities, and services to Caring Network. Caring Network has over 20 regular volunteers who donate time to help with administrative tasks and events. Individuals and organizations donate supplies such as diapers and clothing that are distributed to families in need. Caring Network has also been granted the use of facilities by other organizations to provide counseling and limited medical services.

Amounts would be reflected in the financial statements for donated volunteers' time, when the criteria under generally accepted accounting principles are satisfied. Several volunteers have donated significant amounts of time toward the administrative and program activities of Caring Network, however, no amount has been reflected in the financial statements as those services do not meet the criteria for recognition.

Contributions of the use of facilities for a specified period of time are recognized at fair value in the period the promise is received. Rent expense related to these contributions is recognized as the facilities are used.

**Comparative Prior Year Information** – The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended June 30, 2019.

**Caring Network, NFP**  
**Notes to the Financial Statements (cont'd)**

**1. Summary of Significant Accounting Policies (cont'd)**

**Income Taxes** – Caring Network is tax exempt under Section 501(c)(3) of the Internal Revenue Code. As such, it is not subject to federal income taxes, except for taxes on unrelated business income. There was no taxable unrelated business income. Accordingly, no provision for income taxes is included in the financial statements. Caring Network's 2017, 2018, and 2019 annual information and tax returns filed with the Internal Revenue Service and the State of Illinois are open to examination for the statutory period.

**Advertising** – Caring Network advertises its services on the internet, through direct mail, and through social media. All costs are expensed as incurred. Total advertising expense for the year ended June 30, 2020, was \$85,403 (\$72,218 for the year ended June 30, 2019).

**Functional Allocation of Expenses** – The costs of providing program and other activities have been summarized on a functional basis in the statement of activities and are detailed by their natural classification in the statement of functional expenses. Certain expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll taxes, benefits, occupancy, and depreciation. Payroll taxes and benefits are allocated based on salaries directly charged to functional classes. Occupancy costs are allocated based on an estimate of space occupied by employees conducting tasks within functional categories. Depreciation is allocated on an asset-by-asset basis, whereby assets are categorized based on which functional class uses the related asset.

**New Accounting Pronouncement** – In 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, effective on July 1, 2019. The new standard requires the Caring Network to reassess its revenue recognition policy to accurately depict whether a transfer of assets is a contribution or exchange transaction and whether a contribution received (including government grants) is conditional or unconditional. The adoption of this guidance did not have a significant impact on the Caring Network's financial position, changes in net assets or cash flows. The primary source of contributions is from public support.

**2. Liquidity and Availability**

Assets available to meet cash needs for general expenditures within one year, without contractual or donor restrictions, consist of the following:

	2020	2019
Cash	\$ 1,919,652	\$ 1,462,151
Certificates of deposit	-	245,000
Less:		
Cash and certificates of deposit that are the underlying assets of net assets with donor restrictions	(375,866)	(515,749)
	\$ 1,543,786	\$ 1,191,402

**Caring Network, NFP**  
**Notes to the Financial Statements (cont'd)**

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**2. Liquidity and Availability (cont'd)**

Caring Network is generally supported by contributions, some of which are donor-restricted. Caring Network, NFP maintains cash sufficient to operate in the event of an unanticipated reduction in funding and does not have a line of credit or other instrument to provide another form of temporary liquidity.

**3. Unconditional Promises to Give**

At June 30, 2019, Caring Network had a remaining balance of \$15,000 in unconditional promises to give. During the year ended June 30, 2020, Caring Network received \$6,000 in payments on these unconditional promises to give, leaving a balance remaining on the promises to give of \$9,000 at June 30, 2020. Management expects to receive the remaining balance on the unconditional promises to give within one year, and accordingly, there is no discount recorded for these unconditional promises to give.

**4. Furniture, Equipment and Improvements**

Furniture, equipment and improvements consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 416,997	\$ 275,110
Leasehold improvements	<u>378,207</u>	<u>311,396</u>
	<b>795,204</b>	586,506
Less accumulated depreciation	<u>(452,471)</u>	<u>(437,451)</u>
	<b><u>\$ 342,733</u></b>	<b><u>\$ 149,055</u></b>

**Caring Network, NFP**  
**Notes to the Financial Statements (cont'd)**

**5. Leases**

**Operating Leases** – Caring Network entered into operating leases for office space in Glen Ellyn, Naperville, Wood Dale, West Chicago, Darien, and Elmhurst, Illinois. Caring Network is also responsible for a share of real estate taxes, utilities, and other operating expenses. During the year, rent expense under operating leases totaled \$172,445 (\$138,058 for the year ended June 30, 2019) and is included in occupancy expense on the statement of functional expenses.

A schedule of future minimum lease payments is as follows for the years ending June 30:

	Darien	Elmhurst*	Glen Ellyn	Naperville	West Chicago	Wood Dale	Total
2021	\$ 28,007	\$ -	\$ 61,988	\$ 35,760	\$ 22,772	\$ 14,750	\$ 163,277
2022	28,847	-	56,365	2,980	23,227	15,246	126,665
2023	29,713	-	-	-	7,793	15,746	53,252
2024	30,604	-	-	-	-	-	30,604
2025	31,522	-	-	-	-	-	31,522
	<u>\$ 148,693</u>	<u>\$ -</u>	<u>\$ 118,353</u>	<u>\$ 38,740</u>	<u>\$ 53,792</u>	<u>\$ 45,742</u>	<u>405,320</u>

\* - The Elmhurst leases is month-to-month at \$350 per month

**Capital Lease** - During the year ended June 30, 2019, Caring Network entered into a 60-month capital lease for office equipment payable in monthly installments of \$260, which includes a service contract component of \$93 per month. Imputed interest for the lease obligation is 8.00%. Capitalized assets under the lease were \$8,219. Depreciation expense and accumulated depreciation for the leased asset was \$1,644 and \$2,466 for the year ended June 30, 2020. Interest imputed and expensed under the capital lease obligation was \$579 for the year ended June 30, 2020 (\$162 for the year ended June 30, 2019). Maintenance costs are expensed evenly over the life of the lease and are not included in the capital lease obligation.

Future lease payments under the capital lease are as follows:

Total gross payments	\$ 11,700
Less amount representing interest	(1,039)
Less amount representing maintenance	<u>(4,201)</u>
Present value of future lease payments	<u>\$ 6,460</u>

**Caring Network, NFP**  
**Notes to the Financial Statements (cont'd)**

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**6. Paycheck Protection Loan Payable**

On April 21, 2020, Caring Network received a loan of \$212,865, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. Under the terms of the PPP, as modified by the Paycheck Protection Program Flexibility Act (PPPFA), certain amounts of the loan may be forgiven if they are used for qualifying expenses through December 31, 2020 (“spending window”), which include payroll costs, group health care benefit costs, rent, and utilities, as described in the CARES Act. Caring Network intends to use the entire loan amount for qualifying expenses and to meet other conditions to have the loan forgiven. As of June 30, 2020, Caring Network has not filed its application to have the loan forgiven.

The Loan, dated April 21, 2020, matures on April 21, 2022, and bears interest at a rate of 1.00% per annum. Under the PPPFA, principal and interest payments have been deferred until the earlier of (1) ten months after the last day of the covered period for PPP loan forgiveness, or (2) when SBA repays the lender for the portion of the loan that is forgiven. These terms may be subject to further changes depending on any related legislation or related regulations.

**7. Net Assets**

Net assets with donor restrictions consist of amounts restricted by donors for the following purposes at June 30:

	<u>2020</u>	<u>2019</u>
Client benevolence	\$ 4,610	\$ 4,173
Unconditional promises to give	9,000	15,000
Medical	115,094	-
West Chicago center	2,060	65,047
Wood Dale and Elmhurst express centers	120,875	151,890
Darien express center	124,227	279,639
	<u>\$ 375,866</u>	<u>\$ 515,749</u>

**Caring Network, NFP**  
**Notes to the Financial Statements (cont'd)**

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**8. Employee Benefit Plan**

Caring Network adopted a Section 403(b) IRC tax-deferred group annuity plan (Plan). All full-time employees are eligible to participate after one year of service.

The Plan is a salary reduction arrangement, which allows employees to elect to have their compensation reduced in accordance with guidelines set by the Internal Revenue Service. The Plan provides for a matching contribution equal to 100% of participant deferrals not to exceed five percent of the participant's compensation. Under the Plan, Caring Network has expensed \$16,073 of matching contributions for the year ended June 30, 2020 (\$19,420 expensed for the year ended June 30, 2019).

**9. Concentration**

Caring Network received \$202,043 of contribution revenue from four donors for the year ended June 30, 2020. In the year ended June 30, 2019, Caring Network received \$300,000 of contribution revenue from three donors.

**10. Subsequent Events**

Subsequent events have been evaluated through September 22, 2020, which is the date the financial statements were available to be issued.

As a result of the spread of the COVID-19 coronavirus, there are economic uncertainties that exist which could have a negative financial impact on Caring Network, including the potential for reduction in future contribution and fund-raising event revenue. The full potential impact is unknown at this time. Management is monitoring the situation and will adjust expense levels and assess its financial assets as needed to mitigate negative impacts of the pandemic. As disclosed in Note 6, in fiscal 2021, management intends to apply to have the Paycheck Protection Program loan forgiven to provide additional liquidity to mitigate the potential negative financial effects of the pandemic.

**11. Future Accounting Standards**

**Leases** – During 2016, the Financial Accounting Standards Board issued new standards relating to lease accounting. The new standard will require Caring Network to recognize on its balance sheet, the asset and liability of their leasing agreements relating to the rights and obligations created by the leases. The standard will be effective for fiscal 2022. Caring Network has not determined the effect of adopting the new standard.

**Caring Network, NFP**  
**Notes to the Financial Statements (cont'd)**

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**11. Future Accounting Standards (cont'd)**

**Revenue Recognition** – In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09, “*Revenue from Contracts with Customers*.” The ASU’s core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. To accomplish this objective, the standard requires five basic steps: i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The ASU also includes expanded disclosure requirements. This standard is not expected to have a material impact on Caring Network’s financial statements since contribution revenue is scoped out of the standard. The standard will be adopted in fiscal 2021.