



AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2019

**Caring Network, NFP**  
**Audit Report**  
**For the Year Ended June 30, 2019**

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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, 2019, 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.

## **Effect of Adopting a New Accounting Standard**

As discussed in Note 1, Caring Network, NFP adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

## **Report on Summarized Comparative Information**

We have previously audited the Caring Network, NFP's 2018 financial statements as of and for the year ended June 30, 2018, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 5, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Selden Fox, Ltd.*

November 21, 2019

**Caring Network, NFP**  
**Statement of Financial Position**  
**June 30, 2019**  
(With Comparative Totals for 2018)

	2019	2018
<b>Assets</b>		
Cash	\$ 1,462,151	\$ 1,236,811
Certificates of deposit	245,000	-
Unconditional promises to give	15,000	126,338
Prepaid expenses and other	69,027	46,633
Furniture, equipment and improvements, at cost, less accumulated depreciation of \$437,451 (\$534,501 at June 30, 2018)	149,055	138,375
<b>Total assets</b>	<b>\$ 1,940,233</b>	<b>\$ 1,548,157</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 83,489	\$ 80,582
Capital lease obligation	7,881	1,770
<b>Total liabilities</b>	<b>91,370</b>	<b>82,352</b>
Net assets:		
Net assets without donor restrictions:		
Operating Fund	1,184,059	807,877
Capital Fund	149,055	138,375
<b>Total net assets without donor restrictions</b>	<b>1,333,114</b>	<b>946,252</b>
Net assets with donor restrictions	515,749	519,553
<b>Total net assets</b>	<b>1,848,863</b>	<b>1,465,805</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,940,233</b>	<b>\$ 1,548,157</b>

See accompanying notes.

**Caring Network, NFP**  
**Statement of Activities**  
**For the Year Ended June 30, 2019**  
(With Comparative Totals for 2018)

	<b>2019</b>			<b>2018</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	
Revenues:				
Contributions	\$ 520,505	\$ 83,677	\$ 604,182	\$ 803,438
Church offerings	297,508	-	297,508	234,190
Foundation grants	35,000	-	35,000	35,000
Newsletter and appeals	183,708	-	183,708	127,098
Interest and dividends	8,729	-	8,729	2,890
Other	3,713	-	3,713	-
	<u>1,049,163</u>	<u>83,677</u>	<u>1,132,840</u>	<u>1,202,616</u>
Fund-raisers:				
Revenue of special events	597,459	168,776	766,235	579,181
Related expenses of special events	(117,697)	-	(117,697)	(109,339)
<b>Net fund-raising revenues</b>	<u>479,762</u>	<u>168,776</u>	<u>648,538</u>	<u>469,842</u>
Net assets released from restrictions	<u>256,257</u>	<u>(256,257)</u>	<u>-</u>	<u>-</u>
<b>Total revenues</b>	<u>1,785,182</u>	<u>(3,804)</u>	<u>1,781,378</u>	<u>1,672,458</u>
Expenses:				
Program services	806,750	-	806,750	675,379
Management and general	247,222	-	247,222	246,866
Fund-raising	344,348	-	344,348	340,705
<b>Total expenses</b>	<u>1,398,320</u>	<u>-</u>	<u>1,398,320</u>	<u>1,262,950</u>
<b>Change in net assets</b>	<u>386,862</u>	<u>(3,804)</u>	<u>383,058</u>	<u>409,508</u>
Net assets, beginning of the year	<u>946,252</u>	<u>519,553</u>	<u>1,465,805</u>	<u>1,056,297</u>
Net assets, end of the year	<u>\$ 1,333,114</u>	<u>\$ 515,749</u>	<u>\$ 1,848,863</u>	<u>\$ 1,465,805</u>

See accompanying notes.

**Caring Network, NFP**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2018**  
(With Comparative Totals for 2018)

	<b>2019</b>			<b>Total</b>
	Program Services	Management and General	Fund-raising	
Expenses:				
Salaries	\$ 457,950	\$ 139,532	\$ 222,294	\$ 819,776
Payroll taxes	35,450	10,762	17,092	63,304
Benefits	47,011	14,251	22,666	83,928
Occupancy	109,720	15,478	20,637	145,835
Advertising	72,218	-	-	72,218
Printing and publications	420	1,011	15,028	16,459
Postage and shipping	970	602	6,049	7,621
Professional services	5,906	26,044	24,304	56,254
Meetings and seminars	4,103	-	-	4,103
Travel	649	1,265	2,527	4,441
Telephone	8,133	1,653	679	10,465
Supplies	7,657	3,816	9,195	20,668
Insurance	-	10,804	-	10,804
Equipment rental and repair	3,739	3,970	-	7,709
Dues and subscriptions	-	3,090	-	3,090
Grants to other organizations	10,000	-	-	10,000
Other	-	9,170	3,627	12,797
	<u>763,926</u>	<u>241,448</u>	<u>344,098</u>	<u>1,349,472</u>
Depreciation	42,824	5,774	250	48,848
<b>Total expenses</b>	<u>\$ 806,750</u>	<u>\$ 247,222</u>	<u>\$ 344,348</u>	<u>\$ 1,398,320</u>

See accompanying notes.

2018

Program Services	Management and General	Fund-raising	Total
\$ 408,515	\$ 122,543	\$ 212,708	\$ 743,766
31,460	9,563	16,588	57,611
33,232	9,668	17,522	60,422
75,597	21,992	39,860	137,449
52,458	-	-	52,458
4,164	1,682	12,775	18,621
23	3,562	4,457	8,042
10,022	28,770	20,430	59,222
3,258	-	-	3,258
920	406	3,023	4,349
8,310	2,423	-	10,733
9,049	8,181	4,738	21,968
-	10,859	-	10,859
1,032	3,792	1,105	5,929
-	4,502	-	4,502
10,000	-	-	10,000
-	12,739	7,263	20,002
648,040	240,682	340,469	1,229,191
27,339	6,184	236	33,759
\$ 675,379	\$ 246,866	\$ 340,705	\$ 1,262,950



**Caring Network, NFP**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2019**  
(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 383,058	\$ 409,508
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	48,848	33,759
Noncash contributions	-	(125,000)
Amortization of promised use of office space	338	4,050
Changes in operating assets and liabilities:		
Unconditional promises to give	111,000	35,000
Prepaid expenses and other	(22,394)	(21,072)
Accounts payable and accrued expenses	2,907	24,787
<b>Net cash from operating activities</b>	<b>523,757</b>	<b>361,032</b>
Cash flows used by investing activities:		
Purchase of furniture, equipment and improvements	(51,309)	(127,988)
Purchase of certificates of deposit	(245,000)	-
<b>Net cash used by investing activities</b>	<b>(296,309)</b>	<b>(127,988)</b>
Cash flows from financing activities - principal payments made on capital lease obligations	(2,108)	(2,486)
<b>Net change in cash</b>	<b>225,340</b>	<b>230,558</b>
Cash, beginning of the year	1,236,811	1,006,253
Cash, end of the year	<b>\$ 1,462,151</b>	<b>\$ 1,236,811</b>
<b>Supplemental disclosure of noncash investing and financing activities:</b>		
Additions to property and equipment recorded as a capital lease obligation	<b>\$ 8,219</b>	<b>\$ -</b>

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.

Effective June 22, 2018, the organization changed their name from CareNet Pregnancy Services of DuPage County, Inc. to Caring Network, NFP.

**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, which also approximates their fair value.

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

**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, 2018.

**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 2016, 2017, and 2018 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, 2019, was \$72,218 (\$52,458 for the year ended June 30, 2018).

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

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

**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** – The Financial Accounting Standards Board (FASB) issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The organization was required to implement this new standard in fiscal 2019. As a result of the update, transactions and balances previously reported as unrestricted and temporarily restricted are now being reported as being without donor restrictions and with donor restrictions, respectively, and there is added disclosure about the organization's liquidity and availability of funds (Note 2). The ASU has been applied retrospectively to all periods presented. The changes had no impact on the amount of previously reported net assets or changes in its net assets.

**Subsequent Events** – Subsequent events have been evaluated through November 21, 2019, which is the date the financial statements were available to be issued.

**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:

	2019	2018
Cash	\$ 1,462,151	\$ 1,236,811
Certificates of deposit	245,000	-
Less:		
Cash and certificates of deposit that are the underlying assets of net assets with donor restrictions	(515,749)	(393,215)
	\$ 1,191,402	\$ 843,596

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.

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

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**3. Unconditional Promises to Give**

In April of 2015, Caring Network entered into an agreement with a local church whereby the church promised the use of office space for Caring Network's use for a three-year term beginning in September of 2015. Accordingly, Caring Network recorded an unconditional promise to give related to the promise made by the church. During fiscal year 2019, the original term of the promised office space ended and Caring Network recorded rent expense totaling \$338 resulting in no receivable at June 30, 2019 (\$388 at June 30, 2018).

In addition to the promised use of office space, Caring Network received unconditional promises to give. At June 30, 2018, Caring Network had a remaining balance of \$126,000 in unconditional promises to give. During the year ended June 30, 2019, Caring Network received \$111,000 in payments on these unconditional promises to give, leaving a balance remaining on the promises to give of \$15,000 at June 30, 2019. 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:

	<b>2019</b>	2018
Furniture and equipment	<b>\$ 275,110</b>	\$ 295,105
Leasehold improvements	<b>311,396</b>	377,771
	<b>586,506</b>	672,876
Less accumulated depreciation	<b>(437,451)</b>	(534,501)
	<b>\$ 149,055</b>	\$ 138,375

**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, and West Chicago, and Darien, 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 \$138,058 (\$130,555 for the year ended June 30, 2018).

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
2020	\$ 22,770	\$ 4,200	\$ 57,032	\$ 35,760	\$ 22,326	\$ 14,250	\$ 156,338
2021	28,007	-	61,988	35,760	22,772	14,750	163,277
2022	28,847	-	56,365	38,378	23,227	15,246	162,063
2023	29,713	-	-	38,616	7,793	15,746	91,868
2024	30,604	-	-	38,616	-	-	69,220
2025	31,522	-	-	3,218	-	-	34,740
	<u>\$ 171,463</u>	<u>\$ 4,200</u>	<u>\$ 175,385</u>	<u>\$ 190,348</u>	<u>\$ 76,118</u>	<u>\$ 59,992</u>	<u>677,506</u>

**Capital Lease** – During the year ended June 30, 2014, Caring Network entered into a 60-month capital lease for office equipment that was paid off in fiscal 2019. Imputed interest for the lease obligation is 8.00% (\$54 for the year ended June 30, 2019). Capitalized assets under the lease were \$11,244 and was fully depreciated during the year ended June 30, 2019. The balance of the lease obligation was \$1,770 at June 30, 2018.

During the year ended June 30, 2019, Caring Network entered into another 60-month capital lease for office equipment payable in monthly installments of \$260. 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 \$822 for the year ended and at June 30, 2019. Interest imputed and expensed under the capital lease obligation was \$162 for the year ended June 30, 2019. Maintenance costs imputed under the lease are \$93 per month, are expensed evenly over the life of the lease, and are not included in the capital lease obligation.

Maintenance costs expensed in the statement of activities under the leases were \$280 and \$1,404 for the years ended June 30, 2019 and 2018, respectively.

Future lease payments under the capital lease are as follows:

Total gross payments	14,820
Less amount representing interest	(1,618)
Less amount representing maintenance	<u>(5,321)</u>
Present value of future lease payments	<u>\$ 7,881</u>

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

**5. Net Assets**

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

	2019	2018
Client benevolence	\$ 4,173	\$ 3,860
Unconditional promises to give	15,000	126,338
West Chicago center	65,047	149,570
Wood Dale and Elmhurst express centers	151,890	239,785
Darien express center	279,639	-
	\$ 515,749	\$ 519,553

**7. 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, and are eligible 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 \$19,420 of matching contributions for the year ended June 30, 2019 (\$14,295 expensed for the year ended June 30, 2018).

**8. Concentration**

Caring Network received \$300,000 of contribution revenue from three donors for the year ended June 30, 2019. In the year ended June 30, 2018, Caring Network received \$182,137 of contribution revenue from three donors.

**9. Future Accounting Standards**

**Revenue Recognition** – During 2018, the Financial Accounting Standards Board issued clarifying and amended guidance for not-for-profit entities on whether a transfer of assets is a contribution or exchange transaction and whether a contribution received is conditional or unconditional. Guidance has been added concerning how an entity should determine whether, in a transfer of assets (or a reduction, settlement, or cancellation of liabilities), a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred.

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

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

**Revenue Recognition (cont'd)** – Guidance has also been added requiring an entity to determine whether a contribution contains a donor-imposed condition on the basis of whether the agreement includes both (1) a barrier that must be overcome, and (2) either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. Either a right of return of the assets transferred or a right of release of the promisor from its obligation to transfer assets must be determinable from the agreement (or from another document referenced in the agreement). Note that the agreement does not need to include the specific phrase "right of return" or "release from obligation". However, an agreement must be sufficiently clear to support a reasonable conclusion about when a recipient will be entitled to the transfer of assets. In the absence of any apparent indication that a recipient is only entitled to the transferred assets or a future transfer of assets if it has overcome a barrier, the agreement should be considered not to contain a right of return of assets transferred or a right of release from obligation and, thus, should be deemed a contribution without donor-imposed conditions. The presence of both a barrier and a right of return or a right of release indicates that a recipient is not entitled to the transferred assets (or a future transfer of assets) until it has overcome any barriers in the agreement.

The new standard is effective in fiscal 2020. Caring Network has not determined the effect of adopting the new standard.

**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.