

Audited Financial Statements

MISSION: Pre-Born, Inc.

September 30, 2017



LEMLERGROUP.COM
certified public accountants

MISSION: Pre-Born, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
MISSION: Pre-Born, Inc.
Indianapolis, Indiana

We have audited the accompanying financial statements of MISSION: Pre-Born, Inc. (Pre-Born) which comprise the statement of financial position as of September 30, 2017, and the statements of activities and changes in net assets, 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 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 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 Pre-Born'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 positions of Pre-Born as of September 30, 2017, and the results of its statements of activities and changes in net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Lemler Group, LLC
Indianapolis, Indiana

October 28, 2017

MISSION: Pre-Born, Inc.

Statement of Financial Position September 30, 2017

ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Current Assets			
Cash and cash equivalents	\$ 1,122,538	\$ 386,970	\$ 1,509,508
Prepaid expenses	13,102	-	13,102
Total current assets	1,135,640	386,970	1,522,610
Fixed assets			
Office equipment	11,263	-	11,263
Accumulated depreciation	(7,270)	-	(7,270)
Net fixed assets	3,993	-	3,993
Long term assets			
Security deposit	855	-	855
Land for sale	30,000	-	30,000
Investments	1,164,342	-	1,164,342
Total long term assets	1,195,197	-	1,195,197
Total Assets	\$ 2,334,830	\$ 386,970	\$ 2,721,800

LIABILITIES AND NET ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Current Liabilities			
Accounts payable	\$ 876,131	\$ -	\$ 876,131
Accrued wages	11,964	-	11,964
Total current liabilities	888,095	-	888,095
Total Liabilities	888,095	-	888,095
Net Assets			
Unrestricted net assets	1,446,735	-	1,446,735
Temporarily restricted net assets	-	386,970	386,970
Total Net Assets	1,446,735	386,970	1,833,705
Total Liabilities and Net Assets	\$ 2,334,830	\$ 386,970	\$ 2,721,800

MISSION: Pre-Born, Inc.

Statement of Activities and Changes in Net Assets For the Year Ended September 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Other Support			
Contributions	\$ 1,398,948	\$ 1,290,739	\$ 2,689,687
Fundraising	53,743	519,580	573,323
Interest and dividends	4,964	-	4,964
In-kind	32,950	47,500	80,450
Other revenue	2,323	-	2,323
Net assets released from restrictions	1,470,849	(1,470,849)	-
Total revenue and other support	<u>2,963,777</u>	<u>386,970</u>	<u>3,350,747</u>
Expenses			
Program services			
Consulting	109,298	-	109,298
Events	191,570	-	191,570
Sponsorships	975,351	-	975,351
Operation equipment	791,711	-	791,711
Total program services	<u>2,067,930</u>	<u>-</u>	<u>2,067,930</u>
Management and general	190,218	-	190,218
Fundraising	264,259	-	264,259
Total expenses	<u>2,522,407</u>	<u>-</u>	<u>2,522,407</u>
Increase In Net Assets	441,370	386,970	828,340
Net Assets, Beginning of Year	<u>1,005,365</u>	<u>-</u>	<u>1,005,365</u>
Net Assets, End of Year	<u>\$ 1,446,735</u>	<u>\$ 386,970</u>	<u>\$ 1,833,705</u>

MISSION: Pre-Born, Inc.

Statement of Functional Expenses For the Year Ended September 30, 2017

	<u>Consulting</u>	<u>Events</u>	<u>Sponsorship</u>
Expenses			
Salaries and wages	\$ 36,148	\$ 36,148	\$ 168,687
Payroll tax	2,577	2,577	12,025
Retirement and other benefits	7,098	7,098	33,124
Professional services	-	-	-
Other - artist expense	-	95,025	-
Advertising and promotion	47,353	31,235	145,757
Direct awards	-	-	525,647
Office	340	4,591	1,582
Information technology	7,702	7,702	54,958
Occupancy	568	568	2,654
Travel	5,175	5,175	24,140
Conference, conventions and meetings	2,101	1,215	5,674
Insurance	-	-	-
Depreciation	236	236	1,103
Total expenses	<u>\$ 109,298</u>	<u>\$ 191,570</u>	<u>\$ 975,351</u>

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<u>Operation Equipment</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
\$ 66,282	\$ 307,265	\$ 77,980	\$ 75,666	\$ 460,911
4,725	21,904	5,559	5,394	32,857
13,015	60,335	15,762	14,857	90,954
-	-	15,258	-	15,258
-	95,025	1,779	40,400	137,204
184,953	409,298	-	95,945	505,243
496,253	1,021,900	-	-	1,021,900
-	6,513	16,459	7,759	30,731
6,056	76,418	20,196	-	96,614
788	4,578	18,707	587	23,872
19,639	54,129	11,934	16,299	82,362
-	8,990	5,930	7,174	22,094
-	-	470	-	470
-	1,575	184	178	1,937
<u>\$ 791,711</u>	<u>\$ 2,067,930</u>	<u>\$ 190,218</u>	<u>\$ 264,259</u>	<u>\$ 2,522,407</u>

MISSION: Pre-Born, Inc.

Statement of Cash Flows For the Year Ended September 30, 2017

Cash Flow From Operating Activities	
Change in net assets	\$ 828,340
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities	
Depreciation expense	1,937
Donation of land for sale	(30,000)
Decrease (increase) in prepaid expenses	(13,102)
Increase (decrease) in accounts payable	538,915
Increase (decrease) in accrued wages	1,384
Increase (decrease) in deferred revenue	<u>(135,645)</u>
Net Cash Provided By Operating Activities	<u>1,191,829</u>
Cash Flow From Investing Activities	
Purchase of office equipment	(1,000)
Purchase of investments	<u>(506,191)</u>
Net Cash Provided By (Used In) Investing Activities	<u>(507,191)</u>
Increase in Cash and Cash Equivalents	684,638
Cash and Cash Equivalents, Beginning of Year	<u>824,870</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,509,508</u></u>
Noncash Transactions	
Donation of land for sale	<u><u>\$ 30,000</u></u>

MISSION: Pre-Born, Inc.

Notes to Financial Statements For the Year Ended September 30, 2017

Note 1 – Nature of Activities

Background

MISSION: Pre-Born, Inc. (Pre-Born) was formed as an Indiana not-for-profit organization in 2007 and is a results-oriented ministry designed to strategically impact the abortion industry.

Mission Statement

Pre-Born has the following mission and values:

- Glorify Jesus Christ by leading life-affirming centers to save more lives and souls.
- Emphasis on prayer, obeying the Great Commission on saving unborn children from abortion.
- Providing opportunity for strategic investment partnership in a mission which will impact many cities in a lasting, unique and economical fashion.
- Strategically envision and train leaders to impact their cities by expanding their outreach for Jesus Christ.
- Establishing gospel centered ministry in the areas most needed in the highest abortion communities.

Programs:

Pre-Born has four major programs.

Consulting – Pre-Born consults with various centers throughout the United States of America to offer management consulting on their ministry practice. Pre-Born's staff is trained to provide resources and knowledge to educate centers on how to reduce and eliminate future abortions from happening. Pre-Born provides major donor programming, strategic planning, development strategies, capital campaigns, new events and banquets, pre-born child sponsorship programs, free ultrasounds for qualified centers and intervention centers beside abortion clinics.

Events – Pre-Born assists various centers in managing events to promote awareness of alternatives to abortion. Pre-Born provides the organization, set up and ongoing responsibility for the events. The various centers receive Pre-Born's expert knowledge on running the events as well as proceeds from the events.

Sponsorships – Pre-Born works with centers around the nation to create monthly sponsorships to underwrite ultrasounds in each center. Pre-Born will manage and organize the Preborn Child Sponsorship Program for the center to allow for monthly income to the center. Pre-Born will send donors an ultrasound picture with a story on how a life was touched. Any support provides hope, a free lifesaving ultrasound and practical, compassionate counseling and care to these young mothers.

Operation Equipment – Pre-Born has a program to provide ultrasound equipment and training to various centers at no cost. Pre-Born will train the center to use the ultrasound machine. Pre-Born will assist the center in obtaining medical certification and development of a strategic plan to sustain the program.

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Note 2 – Significant Accounting Policies

Accounting Method

Pre-Born's financial statements are prepared on the accrual basis of accounting.

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, expenses, and other changes during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Pre-Born evaluated subsequent events through October 28, 2017, which is the date the financial statements were available to be issued. This evaluation determined that there are not subsequent events that necessitated further disclosure in and/or adjustments to the accompanying financial statements.

Income Taxes

Pre-Born is exempt from federal and state income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in the financial statements. Pre-Born is classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Generally accepted accounting principles in the United States require Pre-Born to examine its tax positions for uncertain positions. Pre-Born is not aware of any tax positions that are more likely than not to change in the next twelve months, or that would not sustain an examination by applicable taxing authorities.

Pre-Born's policy is to recognize penalties and interest as incurred in its statement of activities as a component of operating expenses, and totaled \$0 for the year ended September 30, 2017. Pre-Born's federal and state income tax returns for years ended 2014 through 2016 are subject to examination by the applicable tax authorities, generally for three years after the later of the original or extended due date.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, Pre-Born considers all highly liquid debt instruments purchased with a maturity of three months or less to be considered cash and cash equivalents. The carrying amount of cash approximate fair value due to the type of investments and the maturity dates.

Office Equipment

Pre-Born's office equipment are stated at cost and depreciated over estimated useful lives of three to ten years using the straight-line method. Expenditures for improvements are capitalized. When equipment is sold, retired or otherwise disposed of, the related cost and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is credited or charged to income. Expenditures for maintenance and repairs are expensed when incurred.

Land for Sale

During the year ended September 30, 2017, Pre-Born was donated .34 acre of land in Pittsboro, Indiana which is listed for sale. This land for sale is reported at its donated value which approximates the fair market value.

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Note 2 – Significant Accounting Policies (continued)

Net Assets

The financial statements have been prepared in accordance with Financial Statements of Not-for-Profit Organizations that require, among other things, that the financial statements report the changes in and total of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are to be classified as unrestricted, temporarily restricted and permanently restricted. The following class of net assets and a brief description is as follows:

Unrestricted Net Assets: The unrestricted net asset includes general assets and liabilities of Pre-Born. The unrestricted net assets may be used at the direction of management to support Pre-Born's purposes and operations.

Temporarily Restricted Net Assets: A donor-imposed restriction permits Pre-Born to use up or expend the donated assets as specified and is satisfied either by the passage of time or by actions of Pre-Born. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets consist of a donation for operation equipment.

Permanently Restricted Net Assets: A donor-imposed restriction stipulates that resources be maintained permanently, but permits Pre-Born to use up or expend part or all of the income (or other economic benefits) derived from the donated assets. There were no permanently restricted net assets.

Contributions

Pre-Born reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, Pre-Born reports the support as unrestricted.

In-kind Contributions

Pre-Born receives in-kind contributions and records the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase revenue by a like amount. For the year ended September 30, 2017, in-kind contributions amounted to \$80,450, and is included in other revenue and on the statements of activities and changes in net assets and functional expenses. Pre-Born recorded in-kind contributions on the statements of activities in accordance with Accounting for Contributions Received and Contributions Made. Contributions of equipment are recorded at the fair market value.

Advertising Expense

Pre-Born expenses advertising costs as they incur.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in statement of activities and changes in net assets and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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Note 3 – Investments and Fair Value

Pre-Born adopted the provisions of Fair Value Measurements (Fair Value) for measurement of investments that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair Value is defined as the price that would be received to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair Value establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that Pre-Born has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Pre-Born's investments at September 30, 2017 consisted of money market accounts and certificate of deposits. Although these investments are considered short term, Pre-Born's management elected to classify these as long term assets for future mission advancement.

Note 4 – Operating Lease

Pre-Born signed an operating lease for their administrative office. The monthly operating lease payment is \$980 consisting of \$855 for office space and \$125 for utility usage. The 3 year lease started on September 4, 2013 and expired September 4, 2016 and required a security deposit of \$855. From September 4, 2016 to December 1, 2016, Pre-Born was on a month to month agreement.

Pre-Born renewed the operating lease for their administrative office. The monthly operating lease payment is \$1,300 consisting of \$1,150 for office space and \$150 for utility usage. The 3 year lease started on December 1, 2016 and expires November 30, 2019. Rent expense amounted to \$14,735 for the year ended September 30, 2017.

Future minimum lease payments on the lease having non-cancelable terms beyond September 30, 2017 are as follows:

2018	\$ 15,600
2019	<u>2,600</u>
	<u>\$ 18,200</u>

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Note 5 – Retirement Plan

Pre-Born established a 401(k) plan for all employees. Employees are eligible for the plan after one year of service and are over twenty-one years of age. Employees are allowed to make contributions per the Internal Revenue Service guidelines. Those employees over sixty-five years of age are allowed to make catch up contributions. Employees' contributions are vested immediately plus any earnings.

Pre-Born allows for a match on employees' contributions. This is based on the discretion of the board of directors on an annual basis. Pre-Born's contributions are vested based on the number of years of continued service, as follows:

<u>Years of Service</u>	<u>Percent Vested</u>
0 – 3	0 %
4 and more	100%

For the year ended September 30, 2017, Pre-Born incurred matching contributions of \$42,377.

Note 6 – Related Party Transaction

In the ordinary course of operations, Pre-Born has employees that are related to management. For the year ended September 30, 2017, these employees were paid \$68,483 in compensation. Pre-Born believes this is reasonable for the work performed during the normal course of business.

Note 7 – Concentration in Credit Risk

Pre-Born continually monitors its positions with, and the credit quality of, the financial institutions with which it invests. Financial instruments that potentially subject Pre-Born to concentration of credit risk consist principally of cash. At September 30, 2017, and periodically throughout the year, Pre-Born may exceed balances in various operating accounts in excess of federally insured limits. Management believes Pre-Born placed all cash with high-credit quality financial institutions and that there is no significant concentration of credit risk with respect to cash.

Pre-Born maintains cash balances at a financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At September 30, 2017, there was an uninsured cash balance of \$1,275,367.

MISSION: Pre-Born, Inc.

Schedule of Lead Accountant For the Year Ended September 30, 2017

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